



REPORTS AND FINANCIAL STATEMENTS

For the year ended 31 July 2022

PRINCIPAL'S REPORT

INTRODUCTION BY PRINCIPAL AND VICE-CHANCELLOR

A bicentenary, a new Chancellor and a return to global campus operations.

The reporting period from August 2021 to February 2023 has contained extremes of great celebration and, at times, great challenge too. October 2021 saw the inauguration of our Chancellor Sir Geoff Palmer as a special element of our bicentenary celebrations across the institution. Despite the challenges of COVID-19, this occasion provided an opportunity to lift spirits and reminded us all of the distinct purpose of our University and its alignment with our original foundation as a place of upskilling to serve business and global society. Honorary Degree Ceremonies were held in St Cecilia's Hall off the Royal Mile in Edinburgh with the Lord Provost of Edinburgh and new Chancellor marking the occasion of the inaugural lecture in chemistry at the same time and location 200 years earlier.

This spirit of celebration throughout our bicentenary accentuated our values of belonging, inspiring and extolling our genuine intent to be a highly collaborative organisation and one that opens up learning opportunities to those who would otherwise be excluded. The importance of being a University focussed on a positive education model in which the whole community can identify a sense of personal and organisational purpose remains important and a key differentiator for us along with our unique multinational structure. Other important markers of celebration in the reporting period have been the return of the Graduate Showcase at the Galashiels campus, a bicentenary dinner in Orkney, the official opening of the new Stromness campus (delayed from 2018) by our alumnus Fred Olsen, and a celebration of the 10th anniversary of operations at the Malaysia Campus. These have been wonderful and special events alongside the privilege of graduations held in all four locations.

Building on our roots, we launched the 1821 Appeal to provide scholarships and support to help drive our ambitious goal to demonstrate a global approach to inclusion and access. With a target of £4m, a total of £4.67m was achieved for these purposes, including support for specific projects touching all our locations and involving alumni, staff, students, and friends. The 1821 Appeal provided further confidence and momentum as we continued the 'quiet phase' of a wider institutional fundraising campaign. The Appeal also enabled the further development of our American Friends of Heriot-Watt University 501c3 board in the USA.

The appeal brought further focus to our 2021/22 strategic performance measure of inclusion and access. This is denoted by the percentage of our students who are studying with us as a result of an intervention we have made reaching 28%, the result of a basket of specific activities ranging from specific school relations in STEM to partnerships with *Their World* and *People's Post Code Lottery* to run Masters programmes for refugees in Lebanon. Over 40% of our students are learning from home or work. This is a notable and distinctive facet of our multinational University.

In late 2021 and early 2022, the University also celebrated its bicentenary through major strategic events as a principal partner of the UK Pavilion at EXPO 2020 in Dubai. This has raised the profile of our new Global Research Institutes and other underpinning research expertise across the University through a series of partnership events and showcases based on these strengths. We also launched our Heriot-Watt Online programmes initiatives, these being a major investment from 2020/21. During the reporting period, we have developed Heriot-Watt Global College, approved as a new Primary Academic Unit, or School of the University, providing new pathways and enhancing global access to the University's taught degree programmes.

These developments, coupled with the ability to develop more flexible programmes of study through a revised 'academic architecture', are key actions to sustain growth to fulfil our strategic plans. Growth in student activity has been achieved this year representing about £13m of new activity and contributing an overall growth in turnover to £261m and an underlying operating position of £3.3m. Addressing the strategic risk of over-reliance on any one major market, the University has successfully diversified with a significant expansion of recruitment from the Indian sub-continent whilst maintaining strong partnership-based activities in China. This outcome, some £9.9m above budget, resulted in part from the challenging external staff recruitment market causing slippage and savings, and ongoing lower levels of spend as a result of COVID-19 consequences.

Throughout the pandemic and in its aftermath, the mood across most of our University settings has often been unsettled as staff and students have had to adapt to different learning and teaching and assessment modes, travel considerations and further changes as we have returned to campus. We have been pleased to work closely with the Student Union in the UK and the Student Councils in Dubai and Malaysia to assure good communications with students and to meet

support needs wherever possible. This was especially critical in 2020/21, but also necessary through 2021/22 as students and staff adjusted and returned to campus. During the reporting period, many new staff came to work at a university campus location for the first time, others needed to be re-acquainted with operations old and new. A high proportion of students experienced campus life for the first time and experienced challenges with systems and processes, some of which were not functioning smoothly in this time of transition. Industrial action, and two weeks of operational interruptions (for non-cloud-based systems) due to a cyber-attack, also impacted operations, but to a modest extent. Cyber issues remain an area of constant focus and attention as one of the strategic risks faced by the institution.

Following the audit of the 2020/21 financial year, progress has continued with the ERP system implementation, with HR functions running more effectively and an increasingly clear path forwards for Finance. It was agreed to establish a Court Oversight Group for the ERP Programme as part of our response to the serious challenges and issues arising from ERP implementation, affecting the operation of core financial processes and reporting, with consequent impacts across the University. The ERP Oversight Group has helped in steering the work forward in the face of ongoing challenges. This group will remain in place through 2022/23. In parallel, the finance function has been restructured and work continues to build the culture and mode of operations required to deliver a fully functioning finance system. The reporting function in ERP is yet to be fully established and, in the intermediate period, close checks and balances have been maintained through judicious monitoring of income and expenditure. Further integrations and functionalities for ERP are being closed out during 2022/23, notably relating to the research management functions. I am grateful to the hard work of staff on this and the patience of staff and students in this period.

Overall student satisfaction grew modestly from 71% to 74%, according to our basket of measures but the outcome of the National Student Survey which is a key component of this measure, was very disappointing with 70% Overall Satisfaction, a 9.3% point drop relative to the previous year. The University Executive has set up a Taskforce, led by the Deputy Principal for Education and Student Life, to address the key points of feedback from the student surveys and the Taskforce reports to each meeting of the University Executive on progress. The University's Student Partnership Agreement is central to this work, bringing together and giving focus to our shared priorities for the year. The consequences of the NSS ranking feeds through into other education focussed league tables. For example, in the Complete University Guide we stand 34th out of 130 universities in the UK (a drop of 11 places from the previous year) and 45th in the Guardian League Table (a drop of nine places). In Dubai, the University was ranked by the Knowledge and Human Development Authority for the third time as 5 star in their Higher Education Classification, representing a world-class standard of education. Graduate Outcomes, a further strategic performance indicator, is forecast to recover to pre-pandemic levels in 2022.

A further full Staff Survey was undertaken and it was pleasing to see the level of engagement (one of our key proxy measures) ranging from 69-86% across different communities, with an overall Staff Engagement Score of 71%, which is one per cent lower than last year. During the 2022/23 year we are working as a whole community on communications, enabling systems, staff workloads and change management. One of the high points in 2021/22 was our new Global Celebration Week in July 2022 that provided an opportunity to acknowledge the contributions of colleagues, recognise team and individual successes, talk about our diversity and welcome a range of new staff. During the year, other pulse surveys have been carried out along with opportunities for discussion around our 'All Staff Executive Briefings' held online every two months.

Our overall research performance indicator in the QS World Ranking is 281st in the world for 2021/22. This is a slight fall year on year, but due to the significant increase in 2020/21, we are still tracking above our trajectory to reach World Top 250 by 2025/26. Local measures around the UK from the Research Excellence Framework affirmed that 87% of our outputs were ranked world leading or internationally excellent, compared with 76% in the previous 2014 assessment. Physics gained significant recognition (ranked No1 in Scotland and the UK based on quality of outputs and 9th overall in the UK) and both 'Engineering' and 'Mathematical Science' were ranked 3rd in UK with 'Architecture, Built Environment & Planning' being ranked 4th based on the quality and breadth of the combined research, as defined in The Times Higher Education REF Power rankings.

Strides have been made in the development of our Global Research Institutes with a very positive assessment of the Lyell Centre from its external advisory board, and the establishment and opening of a major new facility for the National Robotarium located on the Edinburgh campus in a £22.4m purpose-built interactive building. It brings together a range of disciplines and staff from across the whole University. The opening of the National Robotarium represents a major milestone in our world-leading activities in artificial intelligence deployed to support the marine, renewables, construction and healthcare sectors. Work is currently in progress to appoint Chief Executive Officers for our other two major centres in the areas of Health and Care Engineering and Energy Transition towards Net Zero.

Global Environmental Sustainability has advanced in the last period with, uniquely, the appointment of a Deputy Principal (Global Sustainability), Prof Mercedes Maroto-Valer, to lead in this area. Our approach is outlined in our global environmental strategy and associated policies, and Court has approved 10 key commitments regarding sustainability across our global community. These commitments articulate our aims as an organisation, a producer of innovative research, and for the individual purpose of our staff, students and alumni community. (<https://www.hw.ac.uk/uk/about/sustainability/strategy-policies.htm>) We are discussing 2030 as a target timeline to be net zero in terms of carbon. In the 2022/23 period, we are identifying pathways to do this and, importantly, what further challenging components to include in this portfolio from Scope 3 sources. The approaches taken to declare net zero in different organisations are often arbitrary and we wish to align our ambitions with our values in a transparent manner. Current activities include the development of a Net Zero Community Hub (to educate and give confidence and ambition to our own community); the development of our new Global Research Institute in Net Zero; national leadership of the UK Industrial Decarbonisation Initiative; implementation of some operational changes in areas of procurement; continued growth of our leadership voice through the Deputy Principal's work; policy activities at Panmure House and the development of new academic and professional activities in sustainable capitalism and green finance; and through my own leadership as Principal & Vice Chancellor.

In the area of governance we have been working to enhance our risk monitoring system and related protocols and also seeking to commence simplification of some governance processes. Both the Court and Senate have continued to operate largely online and this has been a positive choice proven to enable better participation and evenness of approach across our global community. In the last period we have been fortunate to work with the new Pro Chancellor in Malaysia, Prof Dr Tan Sri Jemilah Mahmood. In November 2022, we were honoured to inaugurate Dr Raja Al Gurg as the first Pro Chancellor in Dubai. I should like to especially thank Morag McNeill in her role as Chair of Court from August 2021 to October 2022, and to acknowledge the very great support and generous gift of time from external Court members. I am pleased to welcome Mr Bruce Pritchard as newly elected Chair of Court, who took up office on 1 October 2022.

As we look ahead and push forward to deliver the objectives of Strategy 2025 by the end of the 2025/26 academic and financial year, we recognise that there are significant challenges facing the University and the sector including uncertainties around international recruitment and inflationary pressures on our cost base. The University Executive continues to focus on resolution of the ERP implementation and restructuring of our Finance function, both essential to achieving financial sustainability. There is a focus on stabilising and assuring delivery of the current activities and approved initiatives combined with a concentration to ensure our basic systems and operations are effective and efficient. We will build on our distinctive assets of being a purposeful global University.

Professor Richard A. Williams
Principal and Vice Chancellor
Date: 07 February 2023

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 innovation through the provision of work-based education, responding to the needs of business and industry and building our global reach.

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 our Dubai campus at Dubai International Academic City, moving to new, world-class facilities at Knowledge Park adjacent to Internet City in 2021. In 2014, we opened an outstanding purpose-built campus in Malaysia, serving the South East Asia region and beyond. And in 2018 we restored and opened Panmure House – the final home of Adam Smith, the father of economics – as a centre of learning and debate, 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 multinational university characterised by our commitment to excellence in 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.

OUR PURPOSE

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

OUR VISION

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

OUR MISSION

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

OUR ETHOS

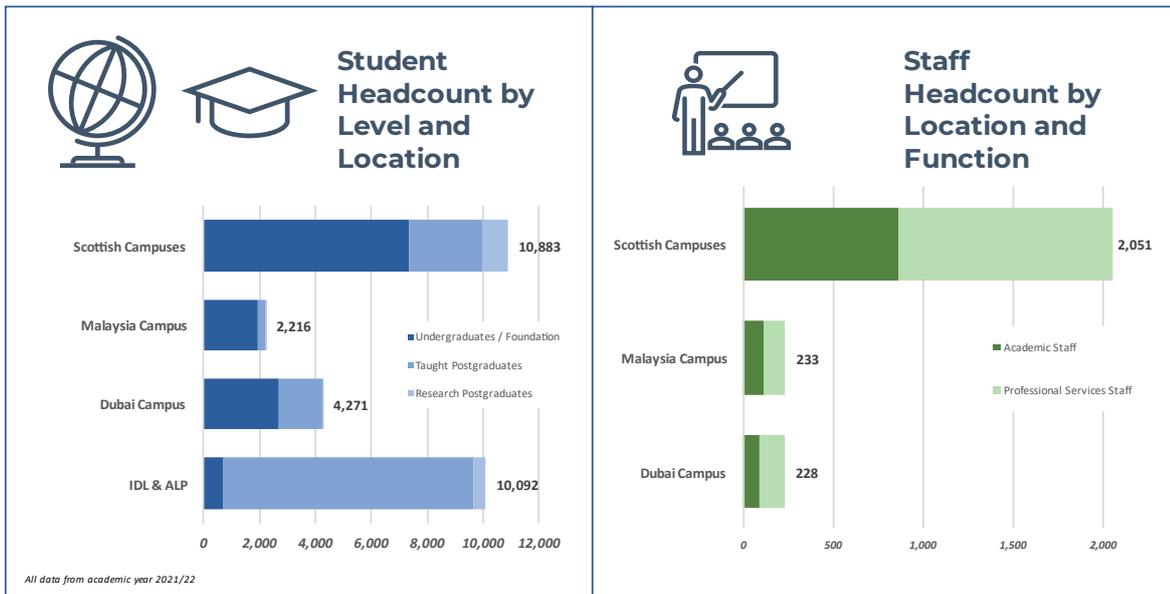
We put our community of students, staff and alumni at the heart of everything we do. Our distinctive strengths will continue to build a global university that pioneers innovation in education, research and enterprise.

INSTITUTIONAL STRUCTURE

Our teaching and research has been 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), and in July 2022, we launched a sixth primary academic unit, the Heriot-Watt Global College (HWGC).

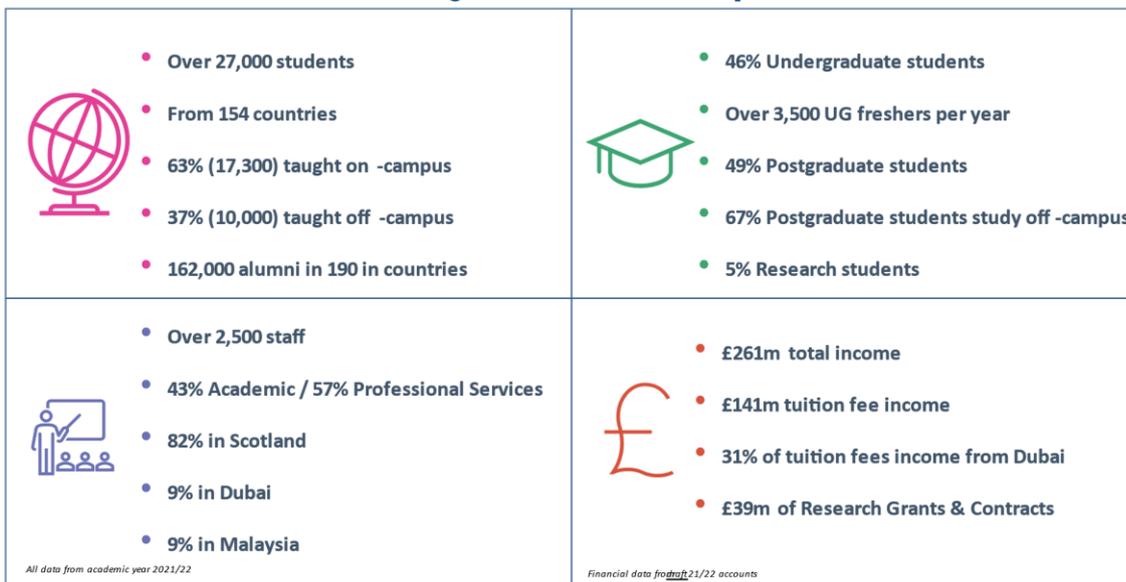
OUR PEOPLE – IN NUMBERS

Heriot Watt University – Size and Shape



At Heriot-Watt University, we provide employment to more than 2,512 staff (43% academic and 57% in professional services). Of those, 2,051 are based in Scotland, 233 in Malaysia and 228 in Dubai. Our student numbers now total 27,462. Of these, 10,092 are independent distance learners (IDL) and students studying with the University’s academic partners (ALP); 5,772 are IDL students and 4,320 are studying through ALP. 10,883 are on the Scotland campuses, 4,271 are in Dubai and 2,216 in Malaysia. 63% of our students are taught on-campus, and 37% off-campus. 46% of the current intake of Heriot-Watt students are undergraduates, 49% are postgraduate and 5% are research students.

Heriot Watt University – Size and Shape



Heriot-Watt is a truly multinational university, currently supporting students from 154 countries, and with 152,000 alumni in 190 countries.

STRATEGY 2025: SHAPING TOMORROW TOGETHER

Our progress as an ambitious, innovative and globally-connected university is driven by our Strategy 2025 – Shaping Tomorrow Together. We strive to be distinguished by our aim to develop purpose-led education, a global mindset and a values-led community.

Building on our heritage and expertise, Strategy 2025 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.

Strategy 2025



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 summarised in Measuring Our Performance on page 20.

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. Together, we will shape tomorrow to deliver benefits for all of society.

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 - as covered in the report on Excelling in Research and Enterprise and Pioneering in Education below.
- An inspiring and dynamic environment to work and study.

Strategic Performance Indicator Targets

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

Returning To Campus Life

Our strategy places our community of staff, students and alumni at the heart of everything we do. As with most communities, the pandemic was a challenging experience, particularly for students and staff adapting to study and work off-campus. However, as pioneers of online learning, we were better placed than most universities to adapt smoothly, while gaining valuable insights that inform our strategy today.

After supporting our staff and student communities through the latter stages of the pandemic, we provided a gradual return to on-campus working and face-to-face-teaching. We also continued to support students who remained on campus throughout the lockdown periods, and would like to note the huge contribution of staff who maintained our facilities to the highest standard throughout the pandemic.

Now, having returned to campus and embraced new hybrid ways of working, we are united in our sense of purpose and community. At the same time, we are alert to the challenges faced by many within our community as the lingering consequences of COVID-19 are exacerbated by the cost-of-living crisis. We are committed to helping where we can and have already launched initiatives such as a recovery fund for researchers affected by the pandemic. We will also continue to develop our mental health and wellbeing services to support everyone within our diverse, multinational and highly talented community.

Our Staff

Strong communication was critical throughout the pandemic and the ‘all-staff executive briefings’ that we pioneered online continue today, strengthened by the closer sense of engagement enabled by in-person meetings. As a multinational University, we are focused on ensuring that our staff feel fully engaged and informed at both a global and a local level.

Despite the upheaval of recent times, the results of our Annual Staff Engagement Survey remained steady, with an overall satisfaction figure of 71% for 2021/22 (compared to 72% in 2020/21 and 70% in 2019/20). Every year, the detailed responses to the survey provide us with valuable feedback that we build into our strategic planning and respect-led agenda. Additional pulse surveys on topics such as hybrid working and leadership also shape initiatives.

Meanwhile, our wellbeing programme evolves through weekly communications, enhanced online information and training in areas from mental health first aid to menopausal awareness. And we continue to respond to the challenges of the wider world, particularly the financial stress and geo-political tensions affecting members of our community worldwide.

Turning to industrial relations, we retained positive local relationships with trade unions in the UK, working successfully in partnership with them throughout both the pandemic, and the ongoing national pay and pension disputes. The changes to the pension scheme have now been implemented, but continue to prove a matter of concern for our staff and we remain committed to listening to our employees’ voices, supporting the national dialogue and working closely with trade union representatives.

Staff development opportunities remain to the fore with multiple initiatives, including live surveys of managers and leaders, launching our Leading With Presence coaching programme, and developing our Managers Teams Hub and mandatory management development programmes.

Importantly, we have also now launched our People Enabler Plan to address organisational challenges as we emerge from the pandemic crisis. The ongoing objective is to explore the strengths and talents of our staff, matching them with the support we can provide to develop their career paths.

This supports our Strategy 2025 by nurturing the positive development of our people across four key areas:

1 Leadership and management

Inclusive and confident leadership; supportive and empowered line managers; engaged and motivated staff.

2 Attracting, recruiting and retaining

Active workforce planning; succession planning; a great candidate journey.

3 Developing our people

Life-long learning; developing our academic community; developing our professional services community; a digitally enabled university.

4 Ensuring Heriot-Watt is a great place to work

Fair employment; a diverse and inclusive community; supporting staff wellbeing; connected hybrid working.

Our Students

For many of our students, the return to campus life was exhilarating, as they embraced the opportunity to mix once more with other students and teaching staff, and enjoy social and sporting activities. However, we have also been careful to support students who have found the transition from remote learning to face-to-face teaching daunting, or are facing other challenges related to issues such as the cost-of-living crisis. We also provided additional support to students arriving at the university whose school education had been adversely affected by the pandemic lockdowns.

Meanwhile, our Global Student Life Committee (the Court Committee that provides governance oversight to the student experience across all modes of study and locations) continues its valuable work. 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. And each year the Agreement sets out key goals and measures for improvements agreed by staff and students, and continues to receive positive student feedback.

Our Alumni

Through the Watt Club, our alumni form a vast global community that harnesses considerable influence and talent in our endeavours to help the world become a better place. As well as supporting one another through networking opportunities and charitable initiatives, the Watt Club focuses invaluable alumni expertise and financial support on key areas such as climate change.

The pandemic crisis proved no barrier to alumni networking as online events celebrated our bicentennial – and the return to in-person gatherings in 2022 has strengthened our alumni community further. The US was a particular focus and, as we work to expand our American Friends of Heriot-Watt 501c3 Board with the addition of alumni joining us as advocates, connectors and advisors, we held successful alumni dinners in both Houston and New York.

The warmth of our alumni community was also evidenced by its financial support for our philanthropic work. To celebrate our bicentennial, we launched ‘The 1821 Appeal’, supporting our University’s vision to enable talented students worldwide to access a Heriot-Watt education, whatever their background or circumstances in life. By the end of the appeal, in the spring of 2022, the appeal total through pledges and funds raised was £4.67m (beating our target of £4m) to create opportunities for under-represented students from our communities in Scotland, Dubai, Malaysia, and beyond. The funds are being channelled through eight specific projects:

- Black Voices - Bringing more Black and Minority Ethnic (BME) students to Heriot-Watt through a programme of 40 scholarships, and supporting the BME advocates created by our Students’ Union.
- Denis Goldberg Scholarship - Helping talented graduate employees in southern Africa undertake an online part-time MSc without having to leave their home country.

- Project Dubai - Providing full scholarships to local students who would otherwise be unlikely to study in Dubai due to financial barriers.
- Project Malaysia - Providing full living costs and tuition fees to local students who would otherwise be unlikely to study at our Malaysia campus due to financial barriers.
- Deaf & BSL Project - Creating a pioneering programme of scholarships for deaf and BSL students across the Heriot-Watt campuses in Scotland.
- Career Ready - Bringing valuable mentoring and internship opportunities to school students from some of Scotland's most disadvantaged areas.
- Mary Burton Project - Helping more women from across Scotland to take up science, technology, engineering and mathematics (STEM) courses, and progress into STEM careers and leadership roles.
- Maths Gym - Providing valuable maths support and encouragement to hundreds of Heriot-Watt students around the world.

Equality, Diversity and Inclusion

As a multinational university committed to extending educational opportunities to all, the prominence of Equality, Diversity and Inclusion (EDI) initiatives across Heriot-Watt is particularly important to us. And in 2022, we strengthened this resolve through the launch of our Global Equality, Diversity and Inclusion (GEDI) Committee. Reporting directly to the University Executive, GEDI is responsible for monitoring and implementing EDI initiatives in line with all four of our strategic areas.

We also continue to encourage numerous EDI initiatives that enrich the experience of our students and staff. For instance, in both November 2021 and 2022, Heriot-Watt staff and students supported The White Ribbon Campaign to end violence against women and girls across the world. GEDI is also supporting and advising on the EDI commitments set out in our renewed Athena Swan Bronze Award action plan for 2021-25, and has established action groups to tackle issues such as equality outcomes and gender pay gaps. And in June 2022, our Celebration Week highlighted the diverse achievements of all our people globally, championing inspirational success stories while prompting discussions about ongoing challenges.

Another successful reflection of our commitment to inclusion is our calculation that 28% of our students are studying with us as a result of an intervention we have made. This has been achieved through a wide range of activities ranging from school outreach in STEM to partnerships with Their World and People's Post Code Lottery to run Masters programmes for refugees in Lebanon. Over 40% of our students are currently learning from home or work – a notable and distinctive facet of our multinational university.

Attracting talent

In recognition of a highly competitive global market, we have been working to enhance our employer branding to capture and communicate our qualities as effectively as possible. And through our HR Directorate Plan, we have also been addressing key issues in attracting and retaining talent, such as the changing relationship between employers and employees brought about by the pandemic crisis, and the importance of wellbeing, work/life balance and personal development.

Professional and Organisational Development

During 2021/22, 944 staff across the University attended Professional and Organisational Development (POD) courses. Following the pandemic, the POD team continued to make most workshops available online, continuing a more globally connected approach that enables colleagues from across all our global campuses to attend the courses of their choice.

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.
- Providing practical equipment or modification to enable disabled people to undertake full employment.

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

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

UK Trade Union Facility Time Reporting for the period April 2021 to March 2022

1. Statutory Requirement

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

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

2. Recognition at Heriot-Watt

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

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

At the start of the 2021-22 HWU Financial year, paid facility time was formally granted as 2.6 FTE for UCU, Unite and Unison, to be allocated across individuals as each union felt appropriate.

It is recognised that Trade Union Representatives also carry out unpaid work as part of their Trade Union activities, but this return reflects the allocation and cost of paid facility time.

3. 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. Therefore, the figures on the statutory return reflect a blend of two Heriot-Watt Financial Years.

For the period April 2021 to March 2022	
	No of Employees
Employees in organisation	1,501 to 5,000
Trade union representatives:	15
FTE trade union representatives:	11.42 ¹
FTE time allocated across unions:	2.6 ²
Percentage of time spent on facility time	
0%	1
1%-50%	14
51%-99%	0
100%	0
Paid trade union duties	Hrs
Hours spent on paid facility time (Duties and Activities):	4,732
Hours spent on paid trade union duties:	2,839
Hours spent on paid trade union activities:	1,893
Total pay bill and facility time costs	£
Total pay bill	99.7m ³
Total cost of facility time	168k
Percentage of pay spend on facility time:	0.17%

¹ The headcount number of representatives changed over the period. This reflects the FTE of those who left partway through the reporting period and those who were allocated paid facility time towards the end of the reporting period.

² For some representatives, the working week is more than 35 hours, (+ 1FTE) and affects the overall calculation.

³ All UK campuses including Oriam.

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.

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 Indicator Targets

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

Student Satisfaction

Overall student satisfaction as measured by our SPI grew modestly from 71% to 74% but the outcome of the National Student Survey (NSS) which gives final-year students in the UK the opportunity to provide feedback, was disappointing with a 9.4% point drop to 70% in 2021/22. In 2022, the University slipped to 107th place for the overall student experience among UK universities. We were placed among the top ten UK universities for overall satisfaction in four subjects, but there were issues of consistency in experience that require attention. The period of the survey coincided with times of strikes and changes in examination processes but active steps are underway to remedy the feedback we have received and a Student Survey Taskforce is reporting regularly to the University Executive to ensure good progress.

The NSS ranking fed through into other education league tables, with the University dropping 11 places in the Complete University Guide and 9 places in the Guardian League table relative to last year. However, the University, retained its Top 50 positions in both these league tables: 4th in Scotland and 34th in the UK in the Complete University Guide 2023; and 7th in Scotland and 45th in the UK in the Guardian University Guide 2023. Also, Dubai retained its 5-star Knowledge and Human Development Authority ranking for the third successive occasion placing it in the leading position for international universities in Dubai.

Graduate Outcomes

Graduate outcomes are reported 15 months post-graduation detailing employment and further study. The University performs well in this measure, with a strategic performance indicator target to be in the UK sector top decile position. The most recent data for the 2019/20 graduating cohort shows that Graduate Outcomes have recovered to almost pre-pandemic levels, with 79% positive outcomes of students either being in employment or further education.

Global Inclusion and Wider Access

Improving student outcomes and widening access globally is a longstanding commitment, reflected in the University's foundations in 1821 and expressed in our strategic aim to pioneer a sector leading global approach to inclusion and wider access. Our methodology in tracking performance against this aim utilises global data to identify students who have come from a background benefiting from the University's approach to widening access. These include identifiers of economic disadvantage, women studying in STEM subjects, mature undergraduate students, foundation students and graduate apprentices. In the reporting period, the University's performance in this area tracked above the planned trajectory with 29% of the total student population from one of these categories.

Graduate Apprenticeships

Our Graduate Apprenticeship scheme, 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, continues to flourish. 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, the Graduate Apprentices study 20% study in the University and 80% within the business environment. 85 of our apprenticeship students graduated in 2021/22 (more than double last year) with just over a third of them achieving first-class degrees.

Globally Connected Learning

We are committed to delivering an outstanding physical and virtual learning experience for all of our students, wherever they are in the world, and whether they are in the classroom or online.

As long-established innovators in online learning, we adapted rapidly to the constraints of the pandemic by launching our Responsive Blended Learning (RBL) model of supported online learning. At the same time, colleagues formed global teaching teams, providing students with the opportunity to benefit from teaching expertise across all of our campuses.

Our Learning and Teaching Academy, which we established in 2019, played a pivotal role in all this work and, now that we've emerged from the pandemic, we are combining the benefits of RBL with the dynamics of face-to-face learning to provide our students with Globally Connected Learning.

Globally Connected Learning inspires students to engage with their studies across all of our campuses and communities through digital learning spaces and technology-supported techniques, guided by six core principles encompassing elements such as active learning, collaboration, wellbeing and diversity.

Canvas and Single Student Platform

In 2020/21, we implemented a new global virtual learning environment called Canvas, which has now been consolidated across our global community. Ongoing training and support has enhanced the use of the platform and we are seeing the tangible benefits of a more vibrant, engaging and well-structured learning environment emerge for both teachers and students. We are now developing our Single Student Platform (SSP) that will further enhance our ability to support and monitor students.

Heriot-Watt Online

We have a long history in pioneering online global education, having launched professional courses through Heriot-Watt Online more than 20 years ago. And as the world embraces the power of digital learning, Heriot-Watt Online is thriving. Our online MBAs have proved highly successful and the scope of courses is being expanded. Heriot-Watt Online is a key element of both our growth plans and our commitment to Globally Connected Learning.

Creating Global Changemakers

Development work is exploring ways in which we articulate the key principles of our Global Changemaker Curriculum Framework. The aim is to support students to go further than memorising facts by mastering skills and concepts, solving problems and reacting to changing circumstances.

Heriot-Watt Award

This new award builds on the EmPOWER programme in Malaysia, encouraging students to hone their soft skills to develop their full potential and stand out in an increasingly competitive world. Due to be launched with a pilot programme in 2023, the award will celebrate extra-curricular and co-curricular work.

CAA Accreditation for Dubai

Our new, world-class, purpose-built Dubai campus is proving an outstanding success, with 4,271 students generating 31% of our tuition fee income. And we are now enhancing opportunities for our Dubai students through the accreditation of courses by the Commission for Academic Accreditation (CAA) in the United Arab Emirates (UAE).

While our courses are currently fully accredited within Dubai through the Knowledge and Human Development Authority, CAA provides federal level accreditation with recognition across the UAE and the broader MENA (Middle East and North Africa) region. As well as being a significant boost for the employability of our students, this will also open up new student markets to the Dubai campus, boost our competitiveness in the Middle East, and create fresh opportunities for funding via the UAE.

The CAA accreditation is a two-stage process. We are nearing completion of the first stage with a recommendation having been issued for the granting of the Initial Licensure, and then we will move on to the accreditation of our programmes, which we hope to complete by December 2023.

Oriam, Scotland's Sports Performance Centre

Oriam continues to be an outstanding resource, not just for our students and staff, but also for the local community in Edinburgh, and the many sports teams who use it as a training centre – including Scotland's national football and rugby squads. Significant additional investment in the past financial year has funded a new range of academic programmes, wellbeing initiatives and scholarships.

A Purpose-Driven Education

Since our earliest days, Heriot-Watt has been founded upon purpose-driven education, and our Malaysia campus has highlighted this through introducing impact statements. Every member of staff and every student starting at the Malaysia campus is now expected to deliver an impact statement defining their purpose in terms of making a positive impact on the world.

The practice has proved effective for building leadership skills and resilience – and has been well received by employers. In January 2022, the initiative was extended to all our students within the Edinburgh Business School, and will be extended further.

The impact statements are short and highly focused. For instance, the card of Professor Mushtak Al-Atabi, Provost and CEO of Heriot-Watt Malaysia, reads: “My purpose is to inspire others to tell more empowering stories about themselves and about the world we live in.”

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.

Outcomes:

- Excellence and financial growth in research income supported by up to six new interdisciplinary 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 Indicator Targets

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

Global Environmental Sustainability Strategy

We are committed to taking a global lead on sustainability and, having appointed a Deputy Principal to assure executive-level leadership on this key challenge (Professor Mercedes Maroto-Valer), we are driving forward on the 10 Commitments of our Global Environmental Sustainability Strategy. Our Principal and Vice-Chancellor, Professor Richard A. Williams, is a prominent thought leader on sustainability issues, both in academic circles and in the media, and in 2023 we will launch our Net Zero Global Research Institute and a Net Zero Community Hub designed as a focal point for sustainability at the University. The aim is to equip everyone with the skills and knowledge to drive real change and become advocates for a more sustainable future. The Net Zero Community Hub will focus on the importance of actions we can all take to help reach net zero – and we are discussing a target of 2030 for our own carbon net zero target.

For more information on our strategy, please see our Environmental Sustainability Statement on page 24.

The Development of Global Research Institutes

Following its official opening earlier in 2022, the formal launch of the National Robotarium at the end of September 2022 was a major highlight in another accomplished year of research activity and partnership with industry and business. The Robotarium is a strategic initiative and exemplar of our commitment to creating up to six Global Research Institutes (GRIs). Located on the Edinburgh campus in partnership with the University of Edinburgh, the National Robotarium will be the largest and most advanced applied research facility for robotics and artificial intelligence (AI) in the UK.

The opening event gathered leading figures from government, industry, research and the robotics community for networking, talks and a tour of the multi-million-pound, purpose-built facilities, central to the development and testing of robotics and AI solutions across three distinct areas: robotics and autonomous systems, human and robot interaction, and high-precision manufacturing.

A partnership between the National Robotarium and Tata Consultancy Services, India's largest multinational business group, was also announced. The two organisations will work together on applied engineering and joint research in areas including soft robotics, field robotics, co-bots and tele-operations to increase cross-industry collaboration and accelerate the development of robotic solutions from laboratory to market.

As well as the National Robotarium, we have already established The Lyell Centre, our research initiative in earth and marine science developed with the British Geological Survey, with two more GRIs under development in Net Zero, and Health and Care Engineering.

Net Zero Global Research Institute

We are committed to developing our expertise and resources to support a net zero future and this is emphasised by our advanced plans to create a dedicated Net Zero Global Research Institute. This initiative will step up the capacity for researchers across Heriot-Watt University to address the need for fundamental changes in how we drive the transition to a net zero economy and a decarbonised future.

Our Net Zero GRI, due to open in 2023, will encompass two key components. An outward-facing Global Net Zero Response Hub (in both physical and virtual spaces) will raise research discussions and develop outreach through work with

communities, particularly younger people. And a Net Zero Expertise Bank will bring together the skills and knowledge required for the delivery of effective transitions.

Health and Care Engineering Global Research Institute

Heriot-Watt researchers have already delivered 103 projects in health and care engineering supported by 46 different funders and 150 partners for a total value of £24m (with industrial partners providing £4.7m of contributions). And fulfilling our strategy of building on areas of existing expertise, we are committed to building levels of exceptional knowledge exchange in health and care engineering for the benefit of society worldwide.

As a result, we have announced plans to establish our Health and Care Engineering Global Research Institute, providing a home for academic researchers across all schools and campuses who specialise in these fields and creating a beacon of research and partnerships.

Medical Device Manufacturing Centre

The past year has seen the growth and development of our Medical Device Manufacturing Centre (MDMC), launched in 2020 and inaugurated in 2022, to address prototyping and manufacturing challenges in the development of smarter and more cost-effective medical devices.

The MDMC brings together engineers, scientists, clinicians and business development experts from four Scottish universities – Heriot-Watt, Edinburgh, Glasgow and Robert Gordon. This concentration of engineering and clinical expertise, together with high-quality tools and an over-arching collaborative vision, is already acting as a powerful catalyst for the development of the sector. One of the products already developed through the MDMC (in partnership with Abergower Digital Ltd and the Scottish Manufacturing Advisory Service) won an Interface Knowledge Exchange Award in March 2022 for Best COVID-19 Collaborative Response.

Industrial Decarbonization Research and Innovation Centre

After winning a £20m award in 2020, Heriot-Watt has taken on the responsibility of leading the UK's Industrial Decarbonization Research and Innovation Centre (IDRIC). IDRIC is the focal point for the green transformation of the UK's industrial heartlands. Funded by UK Research and Innovation and based virtually at Heriot-Watt, the centre is tasked with developing decarbonisation solutions at pace and scale in the places where it matters most. By May 2022, we had already overseen the launch of 43 research projects, with more than 100 researchers working on IDRIC projects from across the UK.

Research Centre for Carbon Solutions

The Research Centre for Carbon Solutions (RCCS), hosted within our Institute of Mechanical, Process and Energy Engineering, is a world-leading engineering centre, inspiring and delivering innovation for the wider deployment of technologies needed to meet net zero targets.

During 2021/22, the RCCS working on research projects such as:

- ConsenCUS – a four-year EU-funded project for a consortium of 18 international partners to provide an industrial plan for a net zero carbon reality.
- Collaboration with industrial partners to secure funding through the Net Zero Innovation Portfolio from the UK Department for Business, Energy & Industrial Strategy.
- The three-year SMART-DAC project delivering technology to remove carbon dioxide from the atmosphere through direct capture from the air.
- And after launching in July 2022, a three-year project funded by the Grantham Foundation for the Protection of the Environment is identifying materials that can remove carbon dioxide from the air at lower cost, enabling rapid scale-up.

Research Income, Outcomes of the Research Excellence Framework 2021, and League Table Performance

Our research grant income rose from £32.9m in 2020/21 to £39.3m in 2021/22. Our achievements continue to be driven by a strong alignment with the UK Government's industrial strategy in areas such as net zero, quantum technology, robotics, artificial intelligence, mathematics and green logistics – and our traditionally strong links with business and industry.

Our overall research performance indicator in the QS World Ranking is 281st in the world for 2021/22. This is a slight fall year on year, but due to the significant increase in 2020/21, we are still tracking above our trajectory to reach World Top

250 by 2025/26. being ranked 4th based on the quality and breadth of the combined research, as defined in The Times Higher Education REF Power rankings.

The release of the Research Excellence Framework 2021 results in May 2022 provided a mixed picture. The results affirmed that 87% of our outputs were ranked world leading or internationally excellent, compared with 76% in the previous 2014 assessment. Physics gained significant recognition and was ranked No1 in Scotland and the UK based on quality of outputs and 9th overall in the UK. 97% of its research was classed as world-leading and internationally excellent. In addition, our three joint submissions with the University of Edinburgh – in Mathematical Sciences, Engineering, and Architecture, Built Environment and Planning – were awarded a top four ranking in the UK based on the quality and breadth of the combined research.

However, there are areas in which Heriot-Watt needs to show improvement, and these are some of the key observations we are now working on following the publication of individual panel reports:

- While it was noted there was evidence in the growth of income in Mathematical Sciences, Computer Science and Engineering, levels remained low per FTE compared to the sector.
- A strategy for income generation would have been welcome in Environmental Sciences.
- Most Unit of Assessment approaches to equality, diversity and inclusion (EDI) were received positively, however, some were challenged to go further on EDI – to evidence and measure it, and to go further than gender.
- Panels recognised some outstanding impacts in marine ecosystem and commercialisation (particularly in relation to policy and inclusivity), but overall felt the sector in general was moving more quickly in terms of producing high-quality impact.

At the same time, Business and Management was commended for how income and infrastructure had been used to support impact. Architecture and Built Environment was commended for the levels and diversity of external grant income and for the increase in numbers and level of support of support for Early Career Researchers and Postgraduate Research students. And Area Studies and Architecture and Built Environment were notable for the range of disciplines and the balance across the disciplines in terms of outputs and impacts.

Upskilling Scotland

Through funding from the Scottish Funding Council, Heriot-Watt University has made significant strides in delivering education based on demand from businesses on a course-by-course basis. Upskilling Scotland funds tuition fees for standalone courses where skills gaps have been identified by businesses or where individual employers have identified needs to either facilitate doing their current job better, to react to a changing role or to advance their career. In 2021/22, Heriot-Watt provided learning to more than 500 individuals on this basis. The University also used the National Transition Training Fund aimed at individuals who were unemployed, at risk of redundancy or had a clear need to develop skills around Net Zero to meet changing business needs.

Research Park

As an internationally recognised centre for high-calibre science and engineering research, our Research Park offers companies the opportunity to move into quality space while benefiting from a campus environment and immediate access to all of the University's facilities and staff. Now home to 26 organisations, including the National Robotarium, we plan to recruit a partner by summer 2023 to deliver further growth.

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 global access and inclusion, such as the development of the Heriot-Watt Global College, and those that increase efficiency and effectiveness of University operations through digital transformation and organisational effectiveness. Partnership and collaboration, underpinned by our institutional values, are central to the approach.

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 Indicator Targets

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

Strength Through Connections

Heriot-Watt is a global university that embraces a diverse, multinational outlook, with our 27,000 students currently drawn from 154 countries and alumni in almost every country of the world. But while our campuses stretch from the UK to Dubai and Malaysia, it is the global connections across our Heriot-Watt community that unite and strengthen us. And with our shared mission to create and exchange knowledge that benefits society worldwide, we are moving even closer together through our Globally Connected Learning strategy underpinned by the Single Student Platform we are introducing in 2023 as part of Canvas, our new virtual learning environment.

Heriot-Watt Global College

The establishment of the Heriot-Watt Global College is a strategic deliverable under the 'Globally Connected' theme of Strategy 2025 and an engine for global growth, inclusion and access. During 2022, we established the Global College as a new Primary Academic Unit, or School, of the University and appointed an Executive Dean to lead the School. Our vision for the Global College is that Heriot-Watt will build on its strong and successful track record in providing foundation and other articulation pathways into and through higher education globally. The College will be a centre of excellence in learning and teaching and a beacon for our 'Inspiring Learning' Learning and Teaching Strategy, with purpose-led education at the core of its offerings. The Global College is aligned to the University's heritage in providing widening access to education, enabling students to progress to a range of degree programmes across our disciplines. The Global College provides a way of attracting quality students who progress onwards with the necessary academic background, language ability and study skills to succeed.

New Global Academic Architecture

During the reporting period, the University restructured the academic year and academic architecture to underpin our globally connected operations and outlook, with enhanced options and flexibility for students.

Go Global

Following the easing of pandemic lockdown measures, the Go Global offer has been reinvigorated to offer students the opportunity to study at different campuses. Approximately 350 students moved between campuses in 2022 – a return to pre-pandemic levels. Go Global provides students with exposure to different cultures and ways of working, enhancing their global employability. And as students graduate and go on to make their way in the world, the experiences gained through Go Global strengthen the multinational connections of our Watt Club alumni network.

Global events

As lockdown measures reduced in many parts of the world, our staff and students embraced the opportunity to be able to move freely among our campuses once more and attend in-person events. This included celebrating our bicentenary as a principal partner of the UK Pavilion at EXPO 2020 in Dubai, and a celebration of the 10th anniversary of operations at our Putrajaya campus in Malaysia. Other important markers of celebration included the return of the Graduate Showcase at the Galashiels campus, a Bicentenary Dinner in Orkney, and the official opening of the National Robotarium and new Stromness campus (delayed from 2018) by our alumnus Fred Olsen.

Digital Transformation and Process Improvement

Digital transformation is one of the enabling strategies underpinning Strategy 2025 and, combined with work on process improvement, is critical for enhanced efficiency and effectiveness. Over the past two years, we have been working on an Oracle ERP system implementation across the whole University as the platform through which we manage our HR and finance functions. Whilst progress has been made, with HR functions running more effectively and an increasingly clear path forwards for Finance, there continue to be substantial challenges and impacts across the University of the ERP implementation programme. In parallel, the finance function is being restructured, and work continues to build the culture and mode of operations required to deliver a fully functioning finance system. Recruiting and retaining staff in Finance continues to be challenging, particularly in the current job market and ongoing finance system issues. Other developments during the reporting period include strengthening of cyber security and resilience, work on the development of the single student platform and a cloud based global IT infrastructure and staff service helpdesk function.

Cybersecurity

Exceptional vigilance is required to support our mission as a university by protecting our digital infrastructure and we have carried out significant strengthening of our defences following a breach in March 2022. Multifactor authentication has been implemented globally along with significantly strengthened password policy requirements. There is continued focus on this area to implement best practice and guard against this ever-evolving threat, which is a high priority for the University Executive and a core agenda item for the Audit and Risk Committee.

Global Operations Executive

We strengthened the management and integration of our five campuses during the pandemic by creating a Global Operations Executive (GOE), which reports to the University Executive, bringing together leaders from our schools and directorates across the world, and strengthening our ability to translate strategy into operations across all our campuses.

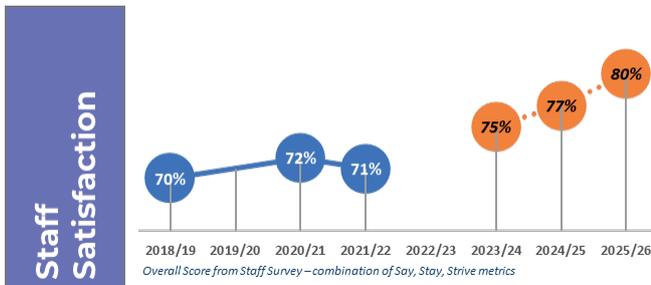
Progress has continued throughout 2021-22 to bed in new structures and ways of working created by the GOE initiative and, in October 2022, we launched our Service Effectiveness Project. Led by our Global COO, this is designed to enhance the effectiveness of professional services through the interface with academic staff and students, ensuring effective partnership working, while developing a framework of service measures that enable us to monitor our progress.

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

FLOURISHING COMMUNITIES



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

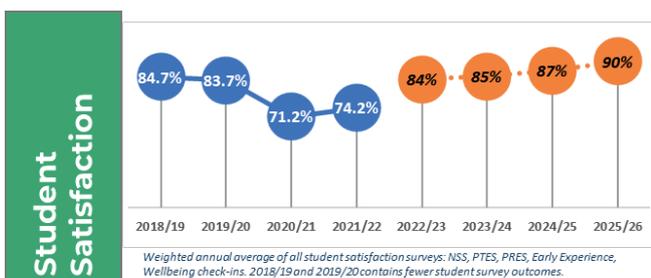
2021/22: 71% (down 1% point against the previous year, and 2% points below the planned trajectory for 2021/22)
 Our Annual Staff Engagement Survey results remain steady with an overall satisfaction figure of 71% (compared to 72% in 2020/21 and 70% in 2019/20). The survey is conducted every 15-18 months, which is why there is no measure in 2019/20 and 2022/23. We are using the feedback to work towards an increase in that figure as staff enjoy the benefits of post-pandemic hybrid working.



SPI: Double global economic impact by 2025.

Our economic impact report of 2020/21 showed a baseline of Heriot-Watt supporting £334m of Gross Value Add (GVA) and around 6,500 jobs in Scotland alone. We continue to work on our strategy to double our global economic impact by 2025. The University will secure an update on this SPI by the end of 2022/23.

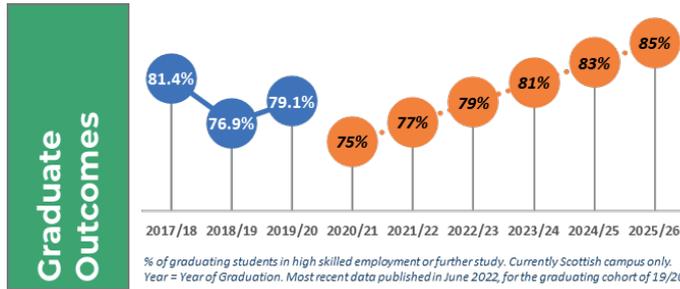
PIONEERING IN EDUCATION



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

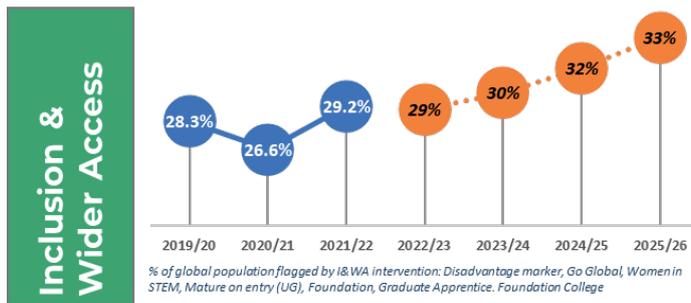
2021/22: 74.2% (up 3% points against the previous year and 8.8% points below the planned trajectory for 2021/22)
 This figure is based on average data from the National Student Survey (NSS), Postgraduate Taught Experience Survey (PTES), Postgraduate Research Experience Survey (PRES), Early Experience and Wellbeing Check-ins, ensuring a global

approach to measuring student satisfaction. The year on year decrease in the NSS results were mitigated against within this metric by the stronger performance of the other surveys included.



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

2021/22: 77% (up 2% points against the previous year and 4.1% points above the planned trajectory for 2021/22) The onward destinations of our graduating students were adversely impacted by the global pandemic, however this was in line with the rest of the sector. For the most recent data, Heriot-Watt is slightly outside the Top Decile of the sector (81.8%) but remains high in the sector. Furthermore, our performance in this area is growing once more, helped by initiatives such as the return to Go Global. There is a time lag to this metric due to the 15-month post-graduation survey methodology. 2020/21 graduating student data will be published in 2023, and 2021/22 graduating student data will be available in 2024.



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

2021/22: 29.2% (up 2.6% points against the previous year and 1.2% points above the planned trajectory for 2021/22) Our methodology here 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 at Heriot-Watt. This metric will expand in future years to include other vital interventions and assistance that help our students access education.

RESEARCH AND ENTERPRISE



SPI: A top 250 world university by 2025.

2021/22: 281st (11 place decrease against the previous year and 9 places above the planned trajectory for 2021/22) A new action group has been set up to address key issues around league tables and reputation.



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

2021/22: £39m (up £6m against the previous year and £4m above the planned trajectory for 2021/22)

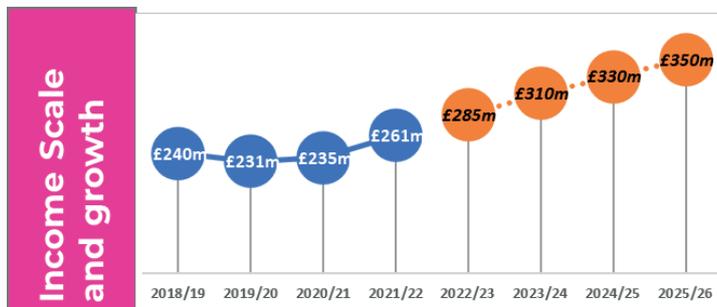
As we move into the post-pandemic world, we expect initiatives such as our National Robotarium and Net Zero GRIs to drive an increase in research income towards our 2025 target.



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

The launch of our Net Zero GRI and the continued development of our Global Environmental Sustainability Strategy are key to our progress in this area. We will be publishing our Global Net Zero Plan in 2023.

GLOBALLY CONNECTED



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

In 2021/22 income is at £261m relative to a target of £350m in 2025/26. This is an increase of £26m relative to previous financial year 2020/21.



SPI: Operating surplus greater than 4% annually.

Operating surplus at 2021/22 is at 1.3% relative to a target of 4% operating surplus by 2025/26. This is a reduction relative to the previous financial year of 2%.



SPI: Resource efficiency: £150,000 annually.

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

ENVIRONMENTAL SUSTAINABILITY STATEMENT

The University is committed to taking a global lead on sustainability and this is one of the key strategic measures of our organisational strategy. In 2021/22 we appointed the University's first Deputy Principal for Global Sustainability to lead the implementation of our pioneering, sector-leading approach. We are currently establishing robust structures for each strand within our Global Environmental Sustainability (GES) Strategy and growing our sustainability team to support delivery. Our focus is on maximising the University's contribution towards achieving the UN Sustainable Development Goals (UN SDGs), including swift action on climate change, and we are building our capacity to meaningfully measure and report progress towards these objectives.

We are finalising our Net Zero Plan, which will formalise our climate ambitions and reflect the global need for substantially enhanced and accelerated action on climate change. Development work has involved establishing, for the first time, an emission footprint across our global campuses in Scotland, Dubai and Malaysia, along with work to characterise and explore solutions to some of our most significant decarbonisation challenges. It is essential that we build on the sustainability achievements of our global campus locations, which recently include a LEED 'Gold' sustainability rating for our Dubai Campus, water and energy efficiency awards given to the Malaysia Campus and the development of the BREEAM 'Excellent' National Robotarium at our Edinburgh Campus.

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. Founded on our leading expertise in energy, engineering, and construction, we are creating a new Global Research Institute to focus on the net zero challenge, connecting researchers across all our campuses and from multiple disciplines.

The University's research and outreach provides opportunities for transformative impact, with notable programmes and initiatives including our leading roles in the UK Industrial Decarbonisation Research and Innovation Centre (IDRIC), the Island Centre for Net Zero (ICNZ, charting a transition path for Orkney, Shetland and the Outer Hebrides) and a major programme to decarbonise cement led by the Centre of Excellence in Smart Construction (CESC) based at our Dubai Campus.

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. The development of the University's new Sustainability webpages, launched in 2022, marks the first phase in broadening and strengthening our community engagement activity surrounding environmental sustainability.

This key element of our strategy will be enhanced with the development of the University's Net Zero Community Hub at the Edinburgh Campus. In addition to acting as a focal point for community discourse around net zero and aligned sustainability challenges, the building will act as a net zero exemplar and will provide a demonstration and test bed facility for associated technologies.

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

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

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

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

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

GOVERNING BODY

Responsibilities and delegated authority

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

- Take ultimate responsibility for oversight of the affairs of the University.
- Set and approve the University's strategic direction, vision, and mission.
- Ensure the effective management and control of the University's affairs, property, and finances through the establishment of systems of internal control.
- Ensure the effective management and administration of the University's staff and the students.
- Determine the structure, staffing and overall composition of the University.
- Appoint the Chancellor, Pro-Chancellors, Principal, Vice-Principal, and the Secretary of the University.

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

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

In discharging its responsibilities, the Court met eight times during the year 2021/2022, including at two 'Strategy Discussion Days'. All meetings, except one Strategy Discussion Day, were held online. The first Strategy Discussion Day in the year, held in November 2021, focused on Strategy 2025: Vision, Performance & Sustainability and included a presentation and discussion of the Global Environmental Sustainability Strategy.

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 2022 meeting focused on Growth & Sustainability; the Shape and Size of HWU; Financial Performance; The Three Year Plan and each of the Strategic Themes.

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 members of the Court are provided with an opportunity to update the Court on items of news and issues of interest to the Student Union and the students it represents; in addition, the Court receives the annual report of the Heriot-Watt University Student Union.

The Annual Stakeholder Meeting (ASM), as required by the Scottish Code of Good Higher Education Governance, was held on 2 June 2022. An in-person audience, as well as online participants from across the globe, joined the ASM, which reported on our performance and showcased our Strategy in action.

With a new theme ‘Delivering our Strategy – Shaping our Future’, this year’s ASM reported on the performance of the University over the past year, highlighting the achievements across the Heriot-Watt University community and our ambitions for the future, delivered through Strategy 2025.

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

Chaired by Morag McNeill, Chair of Court, and Professor Richard A Williams, Principal and Vice-Chancellor, the event also included a report on the University’s financial and strategic performance in 2021/22, focussing on the global impacts delivered through Strategy 2025 and its themes: Building Flourishing Communities; Pioneering in Education; Excelling in Research and Enterprise, and being a Globally Connected University.

[Heriot-Watt’s Annual Stakeholder Meeting 2022 on Vimeo](#)

Chair of Court

As previously reported, following the resignation of Mr Grant Innes, 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 the new Chair of Court would take up office which was on 1 October 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 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 9 November 2021.

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

[Summary of Chair of Court Election 2022 \(pdf - hw.ac.uk\)](#)

In welcoming the new Chair to the role, the University extends its sincere thanks to Ms Morag McNeill who has been Chair of Court since 1 August 2021 and will now revert to her role as Deputy Chair of Court, and to Ms Marta Phillips for her work as interim Deputy Chair, and Chairing the Chair of Court Selection Committee.

Court membership

The Court comprises 25 members including the Chair, who is one of the 14 independent lay members of the Court who form the membership majority. Nine are elected or nominated to the membership from different constituencies, including two trade union representatives, and a further two are ex-officio members. The diversity of experience of Court members enhances the overall effectiveness of the Court. The members of Court are listed on page 28. While a governing body membership of 25 members is at the upper limit of good governance practice, according to earlier Scottish Code of Good Higher Education Governance advice, this number of Court members ensures that there are a sufficient number of individuals with a collective broad base of skills and experience available to support the work of the Court and all of its

standing committees. The University's constitutional rules require that each standing committee of the Court shall include in its membership at least three members of the Court.

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

In addition to the Principal and Vice-Principal, who are members of Court, further regular 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 2021/22, 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 2022, the joint meeting focused on Growing and Reshaping Heriot-Watt. This included presentations and discussion of:

- Strategy 2025: Our Agreed Collective Future.
- AP2.0: Working together to delivery Strategy 2025.
- Our size and shape yesterday and today.
- Growth and reshaping for the future.
- Working together to identify opportunities for the future & how we grasp them.

Equality and Diversity

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

The Court membership does not currently meet the Gender Representation on Public Boards (Scotland) Act 2018 objective of 50% female membership. The membership has swung back towards being predominantly male in recent years, following a period where numbers of male and female members were more equal. Court takes the opportunity to engage with communities which represent the diversity across the University. For example, at the last Court Strategy meeting in December 2022, Court engaged with a range of student and staff representatives from across the University. Some members of Court visited the Dubai, Malaysia and Galashiels campuses during 2022, further engaging with the university community and the Lead Governor scheme has been re-started following COVID-19, ensuring support and engagement between Court members and key areas of the University.

Within the Court Committee group, the split is more even (60% male and 40% female) but still does not meet the objective of 50%. Some Committees, such as the Infrastructure Committee, are already known to require more gender diverse memberships.

While historically the reporting has focused on gender diversity and the statutory requirement to report on this, the University has sought to ensure that the governing body is representative of the students and staff of the institution across all the protected characteristics. The Court and Court Committee annual EDI monitoring returns have therefore been benchmarked against the student and/or staff population wherever possible. Areas where the Court and Court Committees do not appear to be representative of the staff and student populations are age, ethnic origin, gender and nationality.

This is being addressed through changes to the way vacancies are being advertised to attract a diverse range of candidates who were interested in the position.

In 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.

The Statement was reviewed by the Governance and Nominations Committee at its meeting in October 2022. The Committee noted that this was a regular three-yearly review of the Statement, which had taken account of recommendations from a recent Internal Audit of Equality, Diversity, and Inclusion governance. These recommendations were being tracked by the Audit and Risk Committee, and good progress was being made. The Statement had required one amendment based on the recommendations. The Committee agreed that this the wording would be amended to indicate that regular relevant training would be provided to panel members, removing a reference to mitigating bias to allow for broader consideration of Equality, Diversity, and Inclusion within recruitment, including important discussions between panel members about their approach to selection.

Members of Court and Attendance

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

Court		Attendance at Meetings
Chair of Court	Ms Morag McNeill (until 1 October 2022) Mr Bruce Pritchard (from 1 October 2022)	8/8 4/4
Deputy Chair of Court	Ms Morag McNeill (from 1 October 2022)	4/4
Acting Deputy Chair of Court	Ms Marta Phillips (until 1 October 2022)	9/12
Principal and Vice Chancellor	Professor Richard Williams	11/12
Vice Principal and Provost	Professor Mark Biggs	12/12
Senate	Professor Scott Arthur Dr Fadi Ghaith Dr William MacPherson	10/12 11/12 11/12
Trade Union	Mr Jurgen Munz Professor Lynne Baillie (from 16 December 2021)	10/12 7/11*
Staff	Professor Marc Desmulliez Mr Chris Pirie	10/12 11/12
Graduate	Mr Brian Henderson	12/12
Student Union	Mr Sanjit Jagannath Krishnakumar (from 1 June 2022) Ms Molly Knight (from 1 June 2022) Ms Emily Lucy King (until 31 May 2022) Ms Hannah Copeland (until 31 May 2022)	5/6* 5/6* 6/6* 6/6*
Independent Lay members of Court	Dr Richard Armour Mr Graeme Dickson Mr Steve Heathcote Mr Gary Kildare Mr Paul Lewis Mr Cameron Millar Mr Alan Robertson	11/12 12/12 11/12 8/12 10/12 12/12 10/12

	Mr Mike Tumilty	12/12
	Mr Graham Watson	10/12
	Ms Dorothy Wright	12/12

* 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.

Under the Scottish Code of Good HE Governance, the University must undertake ‘externally facilitated evaluation of its own effectiveness and that of its committees, including size and composition of membership, at least every five years.’ The last external review took place in 2018. It is therefore intended to undertake the next review in late 2023.

The Governance and Nominations Committee, at its October 2022 meeting, considered and approved the process for appointing a consultant to undertake the review, including the proposed tendering panel.

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 28. 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 seven 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 eight 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. Three committees report to the Finance Committee: The Infrastructure Committee; the Donations and Investments Committee; The Fees, Scholarships and Abatements Committee (joint reporting line to the University Executive).

The Staff Committee met six 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 ERP Oversight Group which has been overseeing and acting in an advisory capacity on a major change project. A further group is being established to review the Subsidiary Company Governance. 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:

[University Committees A-Z - Heriot-Watt University \(hw.ac.uk\)](http://www.hw.ac.uk/committees)

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. A mid-term review affirmed the value of the Scheme. However, the Scheme was impacted by the pandemic and now requires a refresh. The Governance and Nominations Committee, at its meeting in October 2022, considered revisions to the Scheme including proposals to replace Court members who have since retired.

Membership of Committees of Court and Attendance

The following persons served on the committees of Court during the financial year reported in these accounts and for the following year to date of approval thereof:

AUDIT AND RISK COMMITTEE		Attendance at Meetings
Independent Lay Members of Court	Mr Mike Tumilty (Chair)	8/8
	Dr Richard Armour	8/8
	Mr Graeme Dickson	8/8

	Ms Marta Phillips (from 1 December 2021 until 1 October 2022) Ms Morag McNeill (from 1 October 2022)	3/4* 2/2*
Co-opted Members	Mr Roger Murray Mr Phil Ross Ms Debbie Walker Ms Suzanne Wilson	8/8 7/8 7/8 8/8
COURT INTERIM BUSINESS COMMITTEE	<i>All business was conducted by correspondence during the reporting period. The Committee dealt with 15 items of business</i>	<i>Committee meets when required - Not applicable</i>
Independent Lay Members of Court	Mr Bruce Pritchard (from 1 October 2022) Ms Morag McNeill Ms Marta Phillips (Until 1 October 2022) Mr Alan Robertson Mr Graham Watson Ms Dorothy Wright Mr Mike Tumilty	/ / / / / / /
Staff	Professor Marc Desmulliez	/
Ex Officio	Professor Mark Biggs Professor Richard A. Williams	/ /
FINANCE COMMITTEE		<i>Attendance at Meetings</i>
Independent Lay Members of Court	Mr Graham Watson (Chair) Mr Steve Heathcote Mr Cameron Millar Mr Gary Kildare Ms Morag McNeill Mr Bruce Pritchard Mr Alan Robertson	9/9 8/9 9/9 7/9 8/9 2/2* 8/9
Co-opted Members	Ms Judith Cruickshank Ms Rita Pasi	9/9 9/9
Staff	Mr Jurgen Munz (from 30 September 2021)	8/8*
Ex Officio	Professor Mark Biggs Professor Richard A. Williams	8/9 8/9
GLOBAL STUDENT LIFE COMMITTEE		<i>Attendance at Meetings</i>
Independent Lay Members of Court	Ms Marta Phillips (Chair) Ms Morag McNeill (Until 1 October 2022) Dr Brian Henderson Mr Bruce Pritchard (From 1 October 2022)	4/4 3/3* 4/4 0/1*
Co-opted Member	Mr Liam Burns (until 31 July 2022) Dr Fazrie Wahid (from 1 August 2022)	2/3* 1/1*
Students	Ms Emily Lucy King (until 31 May 2022) Ms Hannah Copeland (until 31 May 2022) Mr Sai Vishnu Majji Ganeswara Rao (until 31 May 2022) Ms Amber Taylor (until 31 May 2022) Ms Elizabeth Lau (until 31 July 2021)	3/3 3/3 3/3 3/3 1/1*

	Mr Benedict Aduomahor (from 31 July 2021 until 31 July 2022) Mr Sanjit Krishnakumar (from 1 June 2022) Ms Molly Knight (from 1 June 2022) Mr Syed Uzair (from 1 June 2022) Mr Ilya Dali (from 1 June 2022) Mr Dan Potter (from 1 June 2022) Mr Sean Keenan (from 31 July 2022)	2/2* 1/1* 1/1* 1/1* 1/1* 1/1* 0/1*
<i>Ex Officio</i>	Professor Richard A Williams	3/4
GOVERNANCE AND NOMINATIONS COMMITTEE		Attendance at Meetings
<i>Independent Lay Members of Court</i>	Mr Bruce Pritchard Ms Morag McNeill Ms Marta Phillips (until 1 October 2022) Mr Mike Tumilty Ms Dorothy Wright Mr Graham Watson	1/1* 5/5 3/4* 4/5 5/5 3/5
<i>Student</i>	Ms Emily Lucy King Mr Sanjit Krishnakumar	4/4* 1/1*
<i>Trade Union</i>	Mr Juergen Munz (until 1 October 2021)	1/1*
<i>Staff</i>	Professor Angus Macdonald Dr William MacPherson (from 1 October 2022)	5/5 4/4*
<i>Ex Officio</i>	Professor Mark Biggs Professor Richard A. Williams	1/5 4/5
REMUNERATION COMMITTEE		Attendance at Meetings
<i>Independent Lay Members of Court</i>	Ms Marta Phillips (from 1 December 2021 until 1 October 2022) Ms Morag McNeill Mr Bruce Pritchard (from 1 October 2022) Mr Graham Watson Ms Dorothy Wright Mr Gary Kildare	1/1* 4/4* 2/2* 4/4 4/4 4/4
<i>Staff</i>	Professor Scott Arthur	3/4
<i>Co-opted Member</i>	Ms Evelyn Stevenson	3/4
<i>Student</i>	Ms Emily Lucy King (until 31 July 2022) Mr Sanjit Krishnakumar (from 1 June 2022)	2/2* 1/1*
STAFF COMMITTEE		Attendance at Meetings
<i>Independent Lay Members of Court</i>	Ms Dorothy Wright Ms Morag McNeill (until 1 October 2022) Mr Bruce Pritchard (from 1 October 2022) Mr Mike Tumilty (until 29 September 2022) Mr Paul Lewis (from 30 September 2022)	6/6 6/6 1/1* 1/1* 4/5*
<i>Co-opted Member</i>	Mr Imtiaz Aziz Ms Julie Hotchkiss	5/6 6/6

Trade Union	Professor Lynne Baillie	3/4*
Staff	Professor Marc Desmulliez	5/6
Ex Officio	Professor Richard Williams	5/6
INFRASTRUCTURE COMMITTEE		Attendance at Meetings
Independent Lay Members of Court	Mr Alan Robertson Mr Cameron Millar	6/6 5/6
Co-opted Members	Mr John Fowlie (from Mr David Lister Mr Jeremy Smart Dr Brian Murray	5/6 5/6 5/6 2/6
Student	Ms Emily Lucy King Mr Sanjit Krishnakumar	4/4* 1/2*
Staff	Mr Chris Pirie	5/6
Ex Officio	Professor Richard Williams Professor Mark Biggs	0/6 4/6

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

Principal risks and uncertainties

The uncertainties and difficulties created by the ongoing cost-of-living crisis, driven by higher inflation and energy costs, plus the threat of global recession, geopolitical conflicts and instability, and climate change challenges all continue to impact across the principal areas of risk affecting the University's pursuit of its strategic objectives and its operations, plus its students and staff communities globally. Internally, major challenges with the implementation of an ERP system, the integrations to other core systems and deficiencies in reporting capability have and continue to present significant challenges, as highlighted below.

Economic risks: The University continues to be significantly impacted by the ongoing cost-of-living crisis and associated recessionary risks to the global economy. This has created significant uncertainty over the future achievement of the University's ambitious strategic targets for its main income streams: student fee income, research and enterprise income, and other commercial income. Additionally, the University is facing additional financial headwinds in relation to future student recruitment due to various factors including: lengthening timelines for issuing international student visas, and the buoyancy of the Scottish job market with a consequential impact on post graduate student recruitment. At the same time, the University is facing significant increases to its future cost base due to rising inflation at all of its campus locations. These risks to future income and expenditure combine to elevate the risk that investment headroom is insufficient to drive planned improvements to student and staff experience, and to drive the change required to achieve the University's ambitious strategic objectives.

Student Learning and Experience: The cost-of-living crisis continues to affect students at all campuses, and studying remotely, to varying degrees globally. This crisis has impacted on students' finances, with consequential impacts on students' wellbeing and their ability to successfully complete their studies. The University, through its Student Experience Group, has reviewed the existing channels of support for students, and implemented additional measures, where possible, to further support students during this challenging period. A programme of communications and a website for UK students ([Cost of living - Heriot-Watt University \(hw.ac.uk\)](https://www.hw.ac.uk/cost-of-living)) have been developed to signpost internal and external support available for students. The quality of student experience continues to be a significant focus for the University, given the disappointing results of the 2022 National Student Survey (NSS). The 2021/22 NSS results fell to 70%, a decrease of 9.3% points from the previous year. A Taskforce has been assembled, and action plans developed with implementation underway, to drive further improvements in student experience across the University.

Staff Wellbeing and Engagement: Staff wellbeing and engagement continues to be a significant concern for the University. The cost-of-living crisis continues to have a considerable impact on staff at all campuses. The University has reviewed its existing support in place for staff, and continues to seek ways to implement additional financial and wellbeing support, where possible, during this period. The cost-of-living crisis, and inflationary pressures more generally, have increased staff expectations over future pay awards, which is proving challenging to reconcile against the financial challenges the University is facing, as noted earlier. The University continues to engage with its recognised trade unions in the UK, and its staff more generally, to set out the financial challenges facing the University and manage expectations where possible. The University also continues to face pressure in the recruitment and retention of key staff, given the competitive recruitment environment, particularly in the UK, and work is underway to further develop the University's brand proposition to existing and prospective staff as an employer of choice. An enhanced staff induction programme has been trialled, recognising the importance of effective onboarding.

IT/Cyber threats: The University, along with the entire Higher Education sector, continues to face a significant ongoing threat from cyber and ransomware attacks to its IT systems and infrastructure. The University was subject to a cyber-attack in March 2022 which was quickly identified and contained working in partnership with government agencies and

other external bodies. There was no loss of or corruption of data, nor any major disruption to the University's operations from this attack, although some systems and services were temporarily unavailable. By April 2022 all essential systems and services were successfully restored, and the opportunity taken to enhance security. A lessons-learned exercise was undertaken to identify root-causes and further improvements to the University's preventative and detection controls. The external agencies commended the University for its actions in swiftly containing the attack. A substantial amount of funding and resources have been invested to further develop an ongoing programme of preventative actions to bolster the defences of the University's IT infrastructure, provision of training and awareness for students and staff into these threats, along with real-time monitoring, plus agile and dynamic response plans which can be quickly enabled should an attack occur.

Enterprise Resource Planning: As referred to earlier in the report, the University continues to face significant challenges in implementing and fully realising the benefits of the Enterprise Resource Planning system which has undergone a phased implementation from early 2021, and which provides planning, recording and reporting capability for the University's finances and human resources. Primarily on the Finance element we have encountered several challenges with the system, the integrations with legacy systems, reporting and processes and control environments. Throughout the year we continued to develop functionality. We are aiming to complete the major elements of development to have a fully functioning system by 31st July 2023. Significant management attention and resource continues to be focused on maximising the functionality and benefits of the system, and on resolution of remaining issues.

Climate Change: The University has developed a Global Environment Strategy, in line with its Carbon Management Plan, in order to become net zero carbon emitting within the Scottish Government's targets and deadline of 2045. This will ensure the University remains in step with comparable Higher Education institutions and highlights the University's ambition to be a global thought-leader on this subject. The financial cost of becoming net zero carbon emitting has not yet been fully costed at this point, however it is recognised that even at this early stage a material investment in the University's infrastructure and ways of working will be needed to meet the expected standards.

Geopolitical risks: Given the University's global footprint, in relation to the locations of its physical campuses, and students studying remotely online or via Approved Learning Partners, the University remains sensitive to geopolitical risks involving political and constitutional change in the territories it operates within, plus inter-governmental policies and conflicts worldwide which may have an impact on the University's students, staff and operations. The University has taken steps to effectively reduce the dependency on any single market, notably China, with a significant expansion of recruitment from India and Pakistan in particular. The University remains vigilant to assess the potential impact of these risks, and takes action to mitigate risks and develop suitable response plans where needed.

Research agenda: The University has set itself a very ambitious target within Strategy 2025 for the growth of its research and enterprise activities. There are a number of factors which continue to impact on the achievement of these research objectives and targets set. The ongoing impact of Brexit, and the commitment of the UK Government to develop equivalent long-term funding schemes to replace European Union (EU) research funding remains uncertain, and unlikely to match EU funding previously available. In addition, there have been challenges in Research Grants Finance with the ERP system and its integration to other systems which have caused disruption to research staff and our interactions with funding bodies. Attracting and retaining globally talented research leaders remains challenging in a very competitive sectoral environment.

On page 25, as part of the Corporate Governance Statement, there is a more general description of the University's approach to risk and the framework of risk management.

Risk Management Improvement Plan

A Risk Management Improvement Plan was developed in October 2020 to improve the University's Risk Management Framework. The plan continues to be implemented and has delivered substantial improvements to the University's approach to risk management during 2021/22 and to date, as follows:

- Further rollout of the risk management system across the University and implementation of enhanced risk reporting.
- Improved reporting and oversight of completion of risk actions across business units.
- Conducting a Risk Tolerance exercise to identify and approve those strategic risks facing the University which remain outside the University's risk appetite, where appropriate.
- Conducting further risk workshops with Campus Leadership teams.
- Further development of the Risk Champions Group by providing risk training and regular updates on risk matters.

- Improved engagement between the University's leadership and the Internal Auditor.
- Improved oversight over the progress to completion of outstanding Internal and External audit actions.
- Enhanced reporting of Financial risks, including regular reporting on the status of remediation of external and internal audit Finance actions, and on the status of Finance system and team change activities.

Risk Management 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, with an enhanced membership, meets on a quarterly basis to oversee the effective operation of the risk management policy, strategy and framework. The Executive considers reports on strategic and operational risks, along with relevant internal audit reports and reports on the status of remediation of audit actions. The Executive also considers project risks when it convenes to review the status of the University's strategic project portfolio. The outputs of the University Executive meetings are reported to the Audit and Risk Committee 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 the University. The University's Project Management policy requires that all significant projects maintain a project risk register to ensure that all risks relating to change projects are effectively identified, managed and reported. Internal Audit carries out an annual plan of audit reviews, which is focused on the key risks to the achievement of the University's strategic plan. Findings from the auditor's work are followed up and remedial actions taken where required. On an annual basis, the Internal Auditor provides an overall report on the effectiveness of operation of the risk management framework based on the audit work performed.

Strategic Risk

A Strategic Risk Register is maintained detailing the significant risks affecting the University's ability to achieve its strategic objectives. Strategic risks and escalated risks from the operational risk registers 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. Strategic project risks are periodically considered by the Executive when it reviews the University's strategic project portfolio, and are also then presented to the Audit and Risk Committee.

COVID-19 Pandemic Risk

The COVID-19 Response Team was formed in March 2020 to oversee the University's response to the COVID-19 pandemic, and was disbanded in March 2022 due to the relaxation in COVID-19 restrictions within the territories which the University operates. However, the University maintains a watching brief on the evolution of the pandemic, and has contingency plans in place which can be activated at short notice if required. A specific COVID-19 pandemic risk register was developed in March 2020, and was maintained until March 2022, to identify and assess all significant COVID-19 related risks to the University, and record the actions being taken to mitigate and control those risks. Although the specific COVID-19 risk register has been discontinued, ongoing COVID-19-related risks have been allocated to relevant operational risk registers to be managed on a business-as-usual basis.

Risk Appetite

A risk appetite statement is in place, and work is underway in late 2022 and early 2023 to review and update the risk appetite statement, to ensure it remains current, and is aligned with the University's appetite for risk as it pursues the achievement of the strategic objectives outlined in Strategy 2025.

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 2022, 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 and Audit and Risk Committee 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 2022 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 following limitation of scope was noted in respect of the Internal Auditor's annual opinion: *"...no work was performed by internal audit over financial systems during 2021/22, other than an advisory review on the University's Research Grants Finance processes (as External Audit is intending to undertake substantive testing as part of this year's work), as well as follow up work of previously raised management actions."*

The Internal Auditor has noted that work performed during the year has been sufficient to issue an overall annual audit opinion as follows: *"We are however of the view that sufficient internal audit coverage has been performed to allow the provision of the annual Head of Internal Audit Opinion for 2021/22 included in this report."*

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

- IT Infrastructure and Security Resilience
- Framework for Student Retention Data
- Student Visa Compliance
- AP 2.0 (Annual Planning Process)
- Follow up - IT Infrastructure and Security Resilience

- Follow Up – QC Report

High priority audit findings were identified during the year in respect of one internal audit performed: IT Infrastructure and Security Resilience. Four high priority findings were noted in this audit report as follows:

- Enhancements required to cyber security training for students and staff
- Conducting phishing simulations
- Improvements to firewalls and associated IT infrastructure
- Application of consistent security baselines for managed devices accessing the University's network

These findings have all been implemented by Management and confirmed as satisfactorily addressed by the Internal Auditor.

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.

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:

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

The Court has taken reasonable steps to:

- a. ensure that funds from SFC are used only for the purposes for which they have been given and in accordance with the Financial Memorandum and any other conditions which the Funding Council may from time to time prescribe. Under the terms of the Financial Memorandum the designated officer, who is required to ensure such compliance, is the Principal and Vice-Chancellor;
- b. ensure that there are appropriate financial and other internal controls in place to safeguard public funds and funds from other sources and ensure value for money is achieved in the application of those funds. This system of internal control is continuously reviewed and developed in line with current best practice;
- c. safeguard the assets of the Group and prevent and detect fraud;

- d. secure the economical, efficient and effective management of the Group’s resources and expenditure;
- e. ensure that the Group’s Executive has an adequate system of internal control, and regularly monitors and reviews its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss; and
- f. maintain a safe and secure environment for the staff and students.

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

The Scottish Code of Good Higher Education Governance

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.

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 4-24. Its financial performance for the year to 31 July 2022 is described in the Financial Review on pages 40-47; and the income and expenditure, assets, liquidity and cash flows are disclosed in more detail in the Financial Statements on pages 48-51 and in the Notes to the Financial Statements on pages 52-84. The current forecasts and projections show that the University will manage its activities considering the relevant risks and uncertainties and will instigate any mitigating actions required to ensure compliance with funding requirements. The University Court considers that the University has adequate resources to continue in operation for the foreseeable future and for this reason, it continues to adopt the going concern basis of accounting in preparing the annual financial statements.

Professor Richard A. Williams
Principal and Vice-Chancellor
07 February 2023

Mr Bruce Pritchard
Chair of Court
07 February 2023

FINANCIAL REVIEW

FINANCIAL STRATEGY

Strategy 2025, launched in 2018/19, placed an emphasis on renewed income growth, with a goal to grow income from £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%. Following two years where income levels were impacted by COVID-19, 2021/22 income levels exceeded pre-pandemic levels. Income from tuition fees and educational contracts continues to grow. Accommodation and catering income in 2021/22 was a category that remained challenged by the impact of COVID-19 with students learning in a hybrid mode. From September 2022, students have returned to campus in greater numbers to attend in person tuition with the University's on-campus accommodation almost at capacity.

The University Executive in December 2021 re-affirmed the income and margin targets to 2025/26. Progress towards achieving the targets is associated with focussed student recruitment and demand-led changes to the portfolio of taught programmes at undergraduate and postgraduate levels. The expansion of Heriot-Watt Online and development of Foundation level provision are priorities for driving income. The results in 2021/22 record an improvement in the income from the taught provision as we progress in line with this strategy.

Research Grant Income is also planned to grow due to a growth in research proposals won to £65m p.a. by 2025/26. This will be fuelled by a major expansion in our capacity and reputation through the creation of 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. In July 2022 we opened the National Robotarium on the Edinburgh Campus to house one of these Institutes based around artificial intelligence and robotics. The other existing 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. In 2021/22 Court signed off on the creation of a Health and Care Engineering GRI. The GRI seeks to establish a Centre of Excellence for Health & Care Engineering that within 3 years will be renowned for translating cutting edge research into practical health and care engineering solutions deployed worldwide. The resources we are seeking will help deliver this ambition in our UK, Dubai and Malaysia campuses.

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 with refurbishment of existing buildings and a range of learning and teaching spaces across the Edinburgh campus. Our capital programme was delayed by COVID-19 and supply chain and price impacts relating to Brexit and the world economy. During that period, we continued with the construction of the National Robotarium which was opened in July 2022. 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, we went live with a new ERP solution with HR functionality followed by the Finance. Primarily on the Finance element we have encountered several challenges with the system, the integrations with legacy systems, reporting and processes and control environments. Throughout the year we continued to develop functionality. We are aiming to complete the major elements of development to have a fully functioning system by 31st July 2023. Being a cloud-based system, there will be elements of continued developments to the system as the provider releases the quarterly upgrades. 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.

An unusual number of sector and Institution specific uncertainties are likely to impact the future financial performance and cashflows of the University. These have 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 plan for the next two years. At present reflecting these challenges the Quarter 1 reforecast indicates a downward direction on operating margin for 2022/23 and outer years. The University Executive is working on a review of the underlying assumptions into a Quarter 2 reforecast and to identify mitigating actions. The considerable challenges of operating with a newly implemented, but still not fully functional ERP system, the limited reporting and the lack of a budgeting model has introduced uncertainty as to the robustness of the outer year forecasts. The September intake of international students was impacted by the speed by which students were able to achieve study visas. Recent announcements by the UK government regarding international students studying in the UK is causing further levels of uncertainty regarding the robustness of the outer year projected levels of student income. The University operating from campuses in Dubai and Malaysia as well as Scotland to some extent mitigates this risk.

Having secured long term private placement funding in previous years at attractive margins, the University is well positioned to deliver the on-going requirements of the University giving an element of coverage to deal with the economic challenges currently being faced on both the income and costs base, 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 the increased costs and challenges to recruitment of international students. However, it is unlikely that we will see these cost pressures reflected in the teaching block grant received from the Scottish Government or in the cost 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 is 31 March 2020. 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 £66.5 billion and the value of the Scheme's technical provisions was £80.6 billion indicating a shortfall of £14.1 billion.

The next triennial valuation is as at 31st March 2023. Since the 2020 valuation the world economy has suffered several shocks leading to a falloff in asset values. However, the increase in inflation which has led to increases in interest rates and reflected in upticks in the yield curves has resulted in a reduction in levels of liabilities. USS has issued press releases indicating that there is an expectation that the deficit will significantly reduce at the next valuation if economic indicators remain.

LPF provides benefits to members based on final pensionable pay. LPF published their latest valuation report for 31st March 2022 indicating that the Scheme moved from the previously reported deficit of £36.6m to a surplus of £22m. This has resulted in the elimination of the pension provision for this scheme in the 2021/22 accounts. In keeping with accounting standards, the accounts do not reflect a pension asset for the surplus on the basis that the University is not currently able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

STSS provides benefits to members based on final pensionable pay and 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 52-59 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. With the release from restrictions and the return to travelling, emissions in 2021/22 increased across all scopes however these remain lower than for 2019/20 prior to the imposition of COVID 19 restrictions. 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 2021/22. The University's reportable emissions in 2020/21 were 43% lower than the 2014/15 baseline. The new Dubai Campus was 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 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. The challenges of the ERP system put pressure on the accounts payable team to pay suppliers in a timely manner. At 31 July 2022 there were 28 days (2021: 15 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 financial statements

The financial statements for the year-ended 31 July 2022, 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 deficit, before other gains and losses, of £34.7m which reflects the increase made to the USS pension provision of £38.1m. Excluding this movement in pension provision the Group reported a surplus of £3.3m. After other net gains, the reported deficit for the year was £33.1m. 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 £10.3m.

Income

In 2021/22, the Group experienced an increase in total income of 10.9%, with total income increasing by £25.5m to £260.6m (2021: £235.1m). The increase is attributable to additional tuition fees of £13.3m, £1.7m from increased funding body grants, and £6.4m of research and contract income and an increase in other operating income of £3.9m mainly related to accommodation and catering activities due to COVID-19 related restrictions.

Tuition Fees and educational contracts

The increase in tuition fees is mainly attributable to income from international fees which held up well through the pandemic and therefore we are seeing the roll through effect. Following Brexit European students are now classed within the International category and we have aligned our income recognition for fees in Dubai with the rest of the Group. This change in accounting policy has resulted in 8mAED of additional income being recognised in the year.

We were marginally impacted by COVID-19 related travel restrictions which impacted differently our three campus locations of Edinburgh, Dubai and Malaysia. Last year tuition fee income was also positively impacted by £239K due to the deferment of examinations at the end of 2019/20 on the distance learning Edinburgh Business School MBA. Since COVID-19 and the lifting of the imposed travel restrictions during this year demand returned to its more normal pre-pandemic levels.

The table below indicates the movements of student numbers by Campus between 2020/21 and 2021/22 with the change (%) between each year. This indicates significant increase in Scottish campuses based taught postgraduate numbers reflecting the impact COVID-19 had on the job market in 2021, the strength of the undergraduate and foundation intake in Dubai and the difficult student recruitment market in Malaysia due to COVID-19 restrictions. The reduction in distance learning postgraduate numbers reflect in the main a change in the Chinese market as the authorities imposed changes to encourage face to face education.

	2020/21	Change	2021/22
Scottish Campuses			
Undergraduates	7,263	-2.5%	7,080
Taught Postgraduates	1,968	33.6%	2,630
Research Postgraduates	969	-5.0%	921
	10,200	4.2%	10,631
Dubai Campus			
Undergraduates / foundation	2,171	25.0%	2,713
Taught Postgraduates	1,444	3.7%	1,498
Research Postgraduates	41	22.0%	50
	3,656	16.5%	4,261
Malaysia Campus			
Undergraduates / foundation	2,144	-9.2%	1,946
Taught Postgraduates	232	1.7%	236
Research Postgraduates	16	62.5%	26
	2,392	-7.7%	2,208
Total on-campus	16,248	5.2%	17,100
Independent Distance Learners and Students at Approved Learning Partners			
Undergraduates	547	16.1%	635
Taught Postgraduates	10,507	-13.3%	9,107
Research Postgraduates	452	-10.2%	406
	11,506	-11.8%	10,148
GRAND Total	27,754	-1.8%	27,248

Funding Body Grants

Funding body grants have increased by £1.7m (3.5%) to £51.4m (2021: £49.7m). This reflects increased funding of Scottish Domiciled full-time undergraduate students.

Research and Contracts Income

This year research grant and contract income increased by £6.4m (19.3%) to £39.3m (2021: £32.9m). Levels of research activities increased during the year reflecting the opportunity for greater travel and in person collaboration. There was also £5.8m of income recognised in advance under FRS 102 provisions.

Other income

Other income increased by £3.9m. Income from residences and catering increased by £7m with a greater number of students on campus as more teaching was undertaken in person. In 2020/21 we were in receipt of £0.8m from the Coronavirus job retention fund which was paid in the year.

Expenditure

Total expenditure increased by £62.4m to £295.3m (2021: £232.9m). However, of this increase £38.1m relates to changes in the USS pension provision (note 26). Excluding that the increase is £24.1m.

Staff costs remain the largest cost. Excluding the restructuring costs, these have increased by £6.4m (5.2%) to £128.6m (2021: £122.2m). The increase reflects rises due to promotional increments, the cost-of-living increase and a small increase in headcount.

Total expenditure in the year has been impacted by movements in the USS pension provision, this reflects the March 2020 valuation which was agreed after last year's accounts were signed. The next valuation will be as at 31st March 2023. The changing world economic situation will likely impact on the assessment of pension asset and liabilities. Based on announcements up to the signing of these accounts by USS, there is an expectation that as at 31st March 2023 there will be a significant positive movement in the funded position of the USS scheme. Although this is subject to any further changes in the world economic position, it is likely that any agreed 2023 valuation will be after 31st July 2023 and therefore will be reflected in the 2024 accounts.

Other operating expenses of £107.2m (2021: £88.4m) increased by £18.8m. This increase reflects the relaxation of COVID-19 restrictions with an increase in travel and return to campus with increased related operating expenses such as utilities and costs for agency staff reflecting the speed of opening up and costs associated with the accommodation and catering offering. Aligned with the move to greater proportion of IT services being provided on a SAAS basis, cost of software licences. We continued the development of our ERP system for which we continue to capitalise the costs. Due to the issues with the implementation of the ERP system, during the year there was an impairment of £3.2m of these capitalised costs.

FINANCIAL POSITION**Net assets**

At the end of the year, the Group had total net assets of £63.5m (2021: £53.2m), an increase of £10.3m.

The £8.0m net increase in intangible and tangible fixed assets to £263.6m (2021: £255.6m) reflects expenditure on the construction of the National Robotarium offset by the depreciation charge for the year.

Investments increased by £7.7m reflecting a £2.3m increase in the valuations of the investment properties and £6m transfer of cash into a sinking fund toward the repayment of bond monies as and when they come due for repayment.

Creditors due after one year increased by £13.4m to £235.4m (2021: £222.0m). This reflects a £10.7m increase in deferred income.

Reserves

The Group's reserves increased by £10.3m to £63.5m (2021: £53.2m) during the year mainly due to translational unrealised gains relating to overseas entities and unrestricted reserves from the trading position.

Cash flow

Cash and cash equivalents are £112.6m at 31 July 2022, an increase of £7.2m compared to the previous year (2021: £105.4m). This represents 43% (2021: 44.9%) of total income.

Net cash inflow from operating activities was £41.6m in the year to 31 July 2022. Servicing of debt and disposals of investments resulted in a net cash inflow amounting to £7.2m. Total payments to acquire fixed assets and intangible assets amounted to £21.5m and £3.7m respectively with additional investing activity providing a cash inflow of £1.1m.

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 2022 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 29, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the group's and of the institution's state of affairs as at 31 July 2022 and of the group's income and expenditure, recognised gains and losses 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 Group and institution's ability to continue as a going concern for a period of 17 months to 31 July 2024 from when the financial statements are authorised for issue.

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

Other information

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

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 Report 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 pages xx, 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

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 have considered the culture of honesty and ethical behaviour of management and whether a strong emphasis is placed on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment.
- We assessed the susceptibility of the group and parent institution's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage financial performance. Where this risk was considered higher, we performed audit procedures to address the risk of fraud and management override. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- We also considered the oversight of those charged with governance (i.e., considering the potential for override of controls or other inappropriate influence over the financial reporting process, such as efforts by management to manage earnings in order to influence the perceptions of stakeholders as to the entity's performance and profitability).
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of management, those charged with governance and those responsible for legal and compliance procedures; journal entry testing with a focus on journals indicating large or unusual transactions based on our understanding of the business; review of Court minutes to identify any non-compliance with laws and regulations, and inspection of any correspondence between the University and Scottish Funding Council.

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

Use of our report

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

Stephen Reid (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor

Edinburgh

Date:

Consolidated and Institution Statement of Comprehensive Income and Expenditure for the year ended 31 July 2022

	Note	Consolidated		Institution	
		2022 £000	2021 £000	2022 £000	2021 £000
Income					
Tuition fees and education contracts	1	141,355	128,085	127,512	113,328
Funding body grants	2	51,401	49,676	51,379	49,468
Research grants and contracts	3	39,298	32,934	39,196	32,810
Other income	4	25,338	21,481	22,205	17,844
Investment income	5	1,112	1,144	1,170	1,245
Endowments and donations	6	2,117	1,749	2,117	1,509
		260,621	235,069	243,579	216,204
Expenditure					
Staff costs	7	128,563	122,216	121,409	114,876
Restructuring costs	7	512	3,164	512	3,164
Increase / (decrease) in USS Pension Provision	18, 26	38,064	(1,718)	38,064	(1,718)
Other operating expenses	9	107,178	88,360	98,186	81,017
Depreciation, amortisation and impairment	11,12	18,781	15,749	17,244	14,216
Interest payable and other finance costs	8	2,245	5,099	3,328	4,350
		295,343	232,870	278,743	215,905
(Deficit) / surplus before other gains and losses					
		(34,722)	2,199	(35,164)	299
Gains on disposal of fixed assets		2	25	2	25
Gain / (loss) on investment property		2,270	580	2,270	580
(Loss) / gain on investments		(678)	2,971	(678)	2,971
(Deficit) / surplus before tax					
		(33,128)	5,775	(33,570)	3,875
Taxation	10	(16)	(87)	28	(32)
(Deficit) / surplus for the year					
		(33,144)	5,688	(33,542)	3,843
Other Comprehensive Income					
Unrealised gains/(losses) on restatement of overseas entities		1,669	(977)	2,097	(1,317)
Revaluation of fixed assets		-	94	-	-
Actuarial gain in respect of pension schemes	18, 26	41,790	16,879	41,790	16,879
Other gains and (losses)		-	1,267	-	62
Total comprehensive income for the year					
		10,315	22,951	10,344	19,467
Represented by:					
Endowment comprehensive income for the year		322	1,513	322	1,513
Restricted comprehensive income for the year		6,514	743	6,514	761
Unrestricted comprehensive income for the year		1,810	21,578	1,411	18,510
Translation reserve comprehensive income for the year		1,669	(977)	2,097	(1,317)
Revaluation reserve comprehensive income for the year		-	94	-	-
		10,315	22,951	10,344	19,467

The accounting policies on pages 52-59 and the notes on pages 60-84 form an integral part of these financial statements.

Statement of Changes in Reserves for the year ended 31 July 2022

	Income and Expenditure Reserve			Translation Reserve	Revaluation Reserve	Total
	Endowment	Restricted	Unrestricted			
	£000	£000	£000	£000	£000	£000
Consolidated						
Balance at 1 August 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 expenditure	-	-	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	-	-	-	-
Balance at 31 July 2021	12,037	8,870	30,318	(1,129)	3,058	53,154
(Deficit) from income and expenditure statement	498	2,451	(36,093)	-	-	(33,144)
Other comprehensive income	-	-	43,459	-	-	43,459
Transfers between revaluation and unrestricted reserve	-	-	(1,669)	1,669	-	-
Transfers between restricted and unrestricted reserve	-	3,887	(3,887)	-	-	-
Transfers between endowment and restricted reserve	(176)	176	-	-	-	-
Total comprehensive income for the year	322	6,514	1,810	1,669	-	10,315
Balance at 31 July 2022	12,359	15,384	32,128	540	3,058	63,469
Institution						
Balance at 1 August 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)	-	-	-
Balance at 31 July 2021	12,037	8,858	39,960	(1,141)	2,875	62,589
(Deficit) from income and expenditure statement	498	2,451	(36,491)	-	-	(33,542)
Other comprehensive income	-	-	43,887	-	-	43,887
Transfers between revaluation and unrestricted reserve	-	-	(2,097)	2,097	-	-
Transfers between restricted and unrestricted reserve	-	3,887	(3,887)	-	-	-
Transfers between endowment and restricted reserve	(176)	176	-	-	-	-
Total comprehensive income for the year	322	6,514	1,411	2,097	-	10,344
Balance at 31 July 2022	12,359	15,372	41,371	956	2,875	72,933

Consolidated and Institution Balance Sheet for the year ended 31 July 2022

	Note	Consolidated		Institution	
		2022 £000	2021 £000	2022 £000	2021 £000
Non-current assets					
Intangible assets and goodwill	11	6,112	5,727	6,112	5,727
Tangible fixed assets	12	257,533	249,878	223,610	215,153
Investments	13	40,354	32,684	40,354	32,684
Investment in subsidiaries	13	-	-	5,471	5,440
		303,999	288,289	275,547	259,004
Current Assets					
Stock	14	8	3	-	-
Trade and other receivables*	15	38,666	40,392	62,938	65,536
Cash and cash equivalents	21	112,619	105,371	99,145	92,811
		151,293	145,766	162,083	158,347
Less Creditors: amounts falling due within one year	16	93,240	97,419	93,393	97,869
Net current assets		58,053	48,347	68,690	60,478
Total assets less current liabilities		362,052	336,636	344,237	319,482
Creditors: amounts falling due after more than one year	17	235,413	221,968	208,134	195,379
Provisions					
Pension provisions	18	63,170	61,514	63,170	61,514
Total net assets		63,469	53,154	72,933	62,589
Restricted reserves					
Income and expenditure – endowment reserve	19	12,359	12,037	12,359	12,037
Income and expenditure – restricted reserve	20	15,384	8,870	15,372	8,858
Unrestricted reserves					
Income and expenditure – unrestricted		32,128	30,318	41,371	39,960
Translation reserve		540	(1,129)	956	(1,141)
Revaluation reserve		3,058	3,058	2,875	2,875
Total reserves		63,469	53,154	72,933	62,589

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

The accounting policies on pages 52-59 and the notes on pages 60-84 form an integral part of these financial statements, which were approved by the University Court on 07 February 2023 and signed on its behalf by:

Professor Richard A. Williams
Principal and Vice-Chancellor

Bruce Pritchard
Chair of Court

Andrew Jefferson
Global Chief Financial Officer

Consolidated Statement of Cash Flows for the year ended 31 July 2022

	Note	Consolidated	
		2022 £000	2021 £000
Cash flow from operating activities			
(Deficit) / surplus for the year before taxation		(33,128)	5,775
Adjustment for non-cash items			
Depreciation and impairment of tangible fixed assets	12	15,227	13,344
Amortisation and impairment of intangible fixed assets	11	3,554	2,405
(Loss) / gain on restatement of tangible fixed assets in overseas entities	12	(3,495)	747
Decrease / (increase) in fixed asset investments	13	642	(2,990)
Increase in stock		(5)	(1)
Decrease / (increase) in debtors	15	1,726	(4,158)
(Decrease) / increase in creditors within one year	16	(4,179)	13,595
Disposal of fixed assets offset by deferred capital grants or written off	12	1,894	190
Increase in creditors after one year	17	13,445	3,167
Increase / (decrease) in provisions	18	1,656	(14,149)
Gain on investment land revaluation	13	(2,270)	(580)
Actuarial gain in respect of pension schemes	18	41,790	16,879
Increase / (decrease) in cumulative translation of overseas operations		1,669	(977)
Other cashflow		-	1,449
Adjustment for investing or financing activities			
Interest receivable	5	(1,112)	(1,144)
Net return on pension assets	26	(814)	(883)
Interest payable	8	4,352	4,366
Gain on disposal of tangible fixed assets	12	(2)	(25)
Net amounts drawn down		-	(740)
Repayments of amounts borrowed		629	566
Cash inflow from operating activities		41,579	36,836
Taxation	10	(16)	(87)
Net cash flow from operating activities		41,563	36,749
Cash flows from investing activities			
Payments to acquire fixed assets	12	(21,472)	(34,898)
Payments to acquire fixed asset investments	13	-	(115)
Payments to acquire intangible assets and goodwill	11	(3,748)	(4,781)
Proceeds from sale of fixed assets and investments		2	25
Interest receivable	5	1,112	1,144
Transfer from cash to investments	13	(6,042)	-
Disposals of fixed asset investments	13	-	1,133
Net return on pension assets	26	814	883
		(29,334)	(36,609)
Cash flows from financing activities			
Interest payable	8	(4,352)	(4,366)
Disposal of current asset investments		-	-
Net amounts drawn down		-	740
Repayments of amounts borrowed		(629)	(566)
		(4,981)	(4,192)
Increase / (decrease) in cash and cash equivalents in the year		7,248	(4,052)
Cash and cash equivalents at beginning of the year		105,371	109,423
Cash and cash equivalents at end of the year		112,619	105,371

The accounting policies on pages 52-59 and the notes on pages 60-84 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 4 to 24. Its financial performance for the year to 31 July 2022 is described in the Financial Review on pages 40 to 44; and the income and expenditure, assets, liquidity and cash flows are set out in more detail in the Financial Statements on pages 48 to 51 and in the notes to the Financial Statements on pages 60 to 84.

An unusual number of sector and institution specific uncertainties are likely to impact the future financial performance and cashflows of the University. These have 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 plan for the next two years. In particular, the considerable challenges of operating with a newly implemented, but still not fully functional ERP system, the limited reporting and the lack of a budgeting model has introduced uncertainty as to the robustness of the outer year forecasts. The September intake of international students was impacted by the speed by which students were able to achieve study visas. Recent announcements by the UK government regarding international students studying in the UK is causing further levels of uncertainty regarding the robustness of the outer year projected levels of student income. The University operating from campuses in Dubai and Malaysia as well as Scotland to some extent mitigates this risk.

The return to campus has brought increased levels of income from accommodation and catering back to pre-pandemic levels which is reflected in the outer year forecasts. The impact of inflation across all cost categories but specifically regarding utility costs remains a concern over the near to medium term as do the cost-of-living challenges relating to our staff and level of salary costs. We remain in dispute with our Unions about pay and with UCU on pensions. Strike action has been called in relation to these disputes. These all lead to higher levels of uncertainty in the forecasts.

Stress testing the forecasts for going concern in an uncertain environment becomes challenging and, in some circumstances, could lead, without rapid and decisive intervention from management, either by reducing the cost base or by using a portion of the available cash resources to reduce our levels of borrowings, to a breach of the 2023/24 debt service covenant, when it is tested.

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 2021/22 and the level of enrolments through the September 2022 and January 2023 intakes across our global campuses. Whilst teaching has, in the main, moved back to in face lectures, the University has maintained the ability for students to learn away from campus through responsive blended learning.

At 31 July 2022 the University held net assets of £57.6 million including a high level of cash and cash equivalents and investments, totalling £112.6 million which at 31 January 2023 had increased to £138.2 million. A financial plan for 2022/23 through to 2024/25 is in place and has been updated at the end of quarter one (October 2022) which takes into consideration the anticipated impact of inflationary pressures and updates for actual enrolments in September 2022 and anticipated enhanced enrolments in January 2023 reflecting improved applications.

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 2022 all financial covenants were met. The University's base case forecast indicates that it will continue to operate within the terms of its available committed private placement loans, meeting all financial covenants tests throughout the going concern period to 31 July 2024.

The University carefully and regularly monitors risks including the potential impact of inflation. Senior management have considered various scenarios in assessing these risks and any mitigations on future financial performance and cashflows.

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 2024. In the most severe modelled scenario, the University is forecast to continue to operate with forecast headroom on cash of no lower than £77 million throughout the period. If inflationary pressures continue and / or projected student growth isn't achieved there are scenarios where the operating cashflow covenant might be breached if corrective actions are not enacted by senior management.

Mitigation is available to be initiated by management depending on the scale of any severe and unforeseen downside position, primarily through managing discretionary spend, together with restricting non-essential and non-committed capital expenditure, such as the delay of capital projects and repayment of a proportion of the debt funding.

Based on the above analysis, coupled with the commitment of management to take rapid and decisive action should such be necessary to meet the 2023/24 debt service covenant, 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 positioned 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 2022. 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.

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. If the scheme's liabilities are assessed as being greater than its assets, the institution recognises a provision. The institution does not recognise a pension asset when the net value of those assets and liabilities calculate a surplus unless the Institution is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

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

The investment in the ERP system continues and is classified as assets in the course of construction with no amortisation being charged. As further major development is on-going the period of amortisation will be reviewed in the 2022/23 accounts following a benefits realisation exercise.

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.

Leasehold improvements are included in the balance sheet at cost and are depreciated on a straight-line basis over the shorter of the lease term or the assets useful economic life.

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:

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

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

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

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

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

17. Taxation

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

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

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

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) Intangible and Tangible 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 several factors. In reassessing asset lives, factors such as technological innovation and maintenance programmes are considered.

b) Investment property

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

c) Impairment of debtors

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

d) Provision for the USS Deficit Recovery plan

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

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

e) Defined benefit pension

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

Critical accounting judgements in applying the accounting policies:**f) Pension Schemes**

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

Notes to the accounts

1. Tuition fees and education contracts

	Consolidated		Institution	
	2022 £000	2021 £000	2022 £000	2021 £000
Scotland Home domicile students	11,642	14,459	11,264	14,385
EU domicile students*	-	3,472	-	3,472
Rest of UK Students	7,011	9,280	6,961	9,280
International Students	114,473	90,425	101,107	75,788
Higher education contracts	2,177	2,750	2,177	2,750
Research training support grants	2,735	3,383	2,720	3,354
Short course fees	4	2	4	2
Examination and graduation fees	3,313	4,314	3,279	4,297
	141,355	128,085	127,512	113,328

*EU domicile students were previously classified separately. For 2021/22 EU students are classified within International Students

2. Funding body grants

	Consolidated		Institution	
	2022 £000	2021 £000	2022 £000	2021 £000
SFC teaching grants	29,631	27,229	29,631	27,229
SFC research and knowledge exchange grants	17,767	17,839	17,767	18,335
Release of deferred capital grants	3,070	2,200	3,070	2,200
Other grants	933	2,408	911	1,704
	51,401	49,676	51,379	49,468

3. Research grants and contracts

	Consolidated		Institution	
	2022 £000	2021 £000	2022 £000	2021 £000
Research councils	20,633	15,553	20,633	15,553
Charities	1,878	1,533	1,878	1,533
UK Government	1,212	1,353	1,212	1,353
UK Industry	4,537	3,321	4,537	3,321
EU Commission	3,648	4,776	3,648	4,776
EU other	1,261	1,134	1,261	1,134
Other overseas	3,693	3,898	3,693	3,898
Other sources	2,436	1,366	2,334	1,242
	39,298	32,934	39,196	32,810

4. Other income

	Consolidated		Institution	
	2022 £000	2021 £000	2022 £000	2021 £000
Residences, catering and conferences	12,105	5,110	12,072	4,978
Income from governments and other funding bodies*	3,464	3,845	3,401	3,711
Release of deferred capital grants	1,097	1,475	342	721
Other commercial income	2,561	3,962	2,561	2,384
Sports and exercise	2,047	1,780	86	-
Other income, including foreign currency gains	4,064	5,309	3,743	6,050
	25,338	21,481	22,205	17,844

* Included within income from governments and other funding bodies in 2021 was £831,325 received by the University under the Coronavirus Job Retention Scheme, no equivalent income was received in 2022.

5. Investment income

	Consolidated		Institution	
	2022 £000	2021 £000	2022 £000	2021 £000
Investment income on endowments	324	315	324	372
Investment income on restricted reserves	29	36	29	36
Other investment income	759	793	817	837
	1,112	1,144	1,170	1,245

6. Endowments and donations

	Consolidated		Institution	
	2022 £000	2021 £000	2022 £000	2021 £000
New endowments	155	96	155	96
Donations with restrictions	1,592	1,303	1,592	1,063
Unrestricted donations	370	350	370	350
	2,117	1,749	2,117	1,509

7. Staff costs

	Consolidated		Institution	
	2022 £000	2021 £000	2022 £000	2021 £000
Salaries	98,833	94,497	92,554	88,050
Social security costs	8,282	8,016	8,127	7,816
Employer's pension contributions (note 18):				
USS	12,714	12,068	12,714	11,899
LPF	3,410	3,466	3,410	3,466
Other	756	604	36	80
Movement in LPF and other pension provisions (note 18)				
Charge for LPF pension	4,595	3,592	4,595	3,592
Decrease in other pension provisions	(27)	(27)	(27)	(27)
Total staff costs before staff restructuring costs and movement in USS pension provision	128,563	122,216	121,409	114,876
Staff restructuring costs	512	3,164	512	3,164
Increase/(decrease) in USS provision (note 18)	38,064	(1,718)	38,064	(1,718)
Total staff costs	167,139	123,662	159,985	116,321
Analysed between staff working in:				
Academic schools	85,018	81,004	82,093	77,174
Administrative and central service functions	34,486	33,171	30,424	29,825
Premises functions	4,322	3,905	4,217	3,782
Residences and catering	4,737	4,136	4,675	4,095
Total staff costs before staff restructuring costs and movement in USS pension provision	128,563	122,216	121,409	114,876

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

	Consolidated		Institution	
	2022 Number	2021 Number	2022 Number	2021 Number
Academic schools*	1,264	1,255	1,137	1,117
Administrative and central service functions	813	785	676	691
Premises functions	148	143	140	135
Residences and catering	113	113	111	111
Total staff numbers	2,338	2,296	2,064	2,054

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

EMOLUMENTS OF PRINCIPAL AND VICE-CHANCELLOR

	Consolidated & Institution	
	2022 £000	2021 £000
<i>Professor Richard A Williams</i>		
Salary	262	238
Benefits	33	28
Payment in lieu of pension contributions	31	40
Contributions to USS	7	6
Bonus	5	-
	338	312

KEY MANAGEMENT PERSONNEL

Consolidated & Institution	
2022	2021
£000	£000
1,125	1,118

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

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	
2022	2021
-	299
-	5

Aggregate compensation paid (£000)

Number of payments

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	
2022	2021
£000	£000
298	278
38	39
7.9:1	7.0:1

Highest paid officer's remuneration (Principal and Vice-Chancellor)

Median total remuneration

Ratio

Remuneration includes salary and bonuses. The movement from 7.0:1 to 7.9:1 is primarily due to an increase in the Principal's remuneration and a change in staff mix that has reduced the median remuneration. A benchmarking exercise with regards to the Principal's remuneration has been carried out that will impact the Principal's remuneration in 22/23.

8. Interest payable and other finance costs

	Consolidated		Institution	
	2022 £000	2021 £000	2022 £000	2021 £000
Loan interest	4,311	4,328	4,335	4,318
Net charge on pension assets	814	883	814	883
Investment management charges	41	38	41	38
Exchange differences	(2,921)	(150)	(1,862)	(889)
	2,245	5,099	3,328	4,350

9. Analysis of operating expenses by activity

	Consolidated		Institution	
	2022 £000	2021 £000	2022 £000	2021 £000
Academic departments	16,153	12,224	16,246	12,147
Academic services	11,413	6,319	10,784	6,042
Administration and central services	44,276	42,350	39,361	38,420
Premises	21,195	17,645	17,983	14,798
Residences, catering and conferences	2,579	1,636	2,317	1,460
Research grants and contracts	11,562	8,186	11,495	8,150
	107,178	88,360	98,186	81,017
Other operating expenses include:				
External auditor's remuneration – audit	620	702	557	636
Internal auditor's remuneration	112	94	112	94
Operating lease rentals				
- Land & Buildings	8,501	5,957	6,485	4,534
- Other	211	339	93	117

10. Taxation

	Consolidated		Institution	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
UK Corporation tax at 19% (2021: 19%)	16	87	(28)	32

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 2021	6,452	1,913	8,365
Additions	3,748	-	3,748
Transfer from Tangible fixed assets	-	191	191
At 31 July 2022	10,200	2,104	12,304
Amortisation			
At 1 August 2021	2,022	616	2,638
Charge for year	-	403	403
Impairment	3,151	-	3,151
At 31 July 2022	5,173	1,019	6,192
Net Book Value			
At 31 July 2022	5,027	1,085	6,112
At 1 August 2021	4,430	1,297	5,727

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 was impaired to its value in use in the prior year, due to expected functionality not having been delivered. Additional costs in the current year have been capitalised and subsequently impaired.

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 2021	328,382	3,700	30,826	15,961	378,869
Additions	41	-	2,562	18,869	21,472
Transfers	26,583	-	1,647	(28,230)	-
Transfer to Intangible fixed assets	-	-	-	(191)	(191)
Foreign exchange movement	3,177	-	1,015	-	4,192
Disposals*	(19,853)	-	(6,013)	(1,466)	(27,332)
At 31 July 2022	338,330	3,700	30,037	4,943	377,010
Depreciation					
At 1 August 2021	112,914	100	15,977	-	128,991
Charge for year	11,115	99	4,013	-	15,227
Foreign exchange movement	387	-	310	-	697
Disposals*	(19,802)	-	(5,636)	-	(25,438)
At 31 July 2022	104,614	199	14,664	-	119,477
Net Book Value					
At 31 July 2022	233,716	3,501	15,373	4,943	257,533
At 1 August 2021	215,468	3,600	14,849	15,961	249,878
Institution					
Cost or valuation					
At 1 August 2021	288,987	3,700	27,230	15,862	335,779
Additions	-	-	2,256	18,639	20,895
Transfers	26,583	-	1,496	(28,079)	-
Transfer to Intangible fixed assets	-	-	-	(191)	(191)
Foreign exchange movement	2,984	-	778	-	3,762
Disposals	(19,854)	-	(5,964)	(1,466)	(27,284)
At 31 July 2022	298,700	3,700	25,796	4,765	332,961
Depreciation					
At 1 August 2021	107,487	100	13,039	-	120,626
Charge for year	9,833	99	3,758	-	13,690
Foreign exchange movement	328	-	96	-	424
Disposals	(19,802)	-	(5,587)	-	(25,389)
At 31 July 2022	97,846	199	11,306	-	109,351
Net Book Value					
At 31 July 2022	200,854	3,501	14,490	4,765	223,610
At 1 August 2021	181,500	3,600	14,191	15,862	215,153

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 £4,943,000 (2021: £16,791,000) relating to assets in the course of construction, of which £1,817,000 (2021: £9,708,100) relates to freehold land and buildings and £3,126,000 of related equipment (2021: £3,667,000). At 31 July 2022 land and buildings for the group included £5,188,000 (2021: £4,686,000) in respect of freehold land which is not depreciated.

*The university disposed of £428,000 (2021: £278,000) net book value of land and buildings and equipment. These assets had deferred capital grants that were released on disposal of £428,000 (2021: £278,000). Costs previously capitalised as assets in the course of construction of £1,466,000 (2021: £835,000) have since been written off to the Statement of Comprehensive Income and Expenditure to the relevant class of expenditure.

13. Non-current investments

	Consolidated		Institution	
	2022 £000	2021 £000	2022 £000	2021 £000
Investment in subsidiaries (a)	-	-	5,471	5,440
Investment properties (b)	13,850	11,580	13,850	11,580
Other investments (c)	26,504	21,104	26,504	21,104
	40,354	32,684	45,825	38,124

	Institution	
	2022 £000	2021 £000
(a) Investment in subsidiaries		
As at 1 August 2021	5,440	5,602
Fair Value adjustments	31	(162)
As at 31 July 2022	5,471	5,440

	Consolidated		Institution	
	2022 £000	2021 £000	2022 £000	2021 £000
(b) Investment properties				
As at 1 August 2021	11,580	11,000	11,580	11,000
Revaluation	2,270	580	2,270	580
As at 31 July 2022	13,850	11,580	13,850	11,580

	Consolidated		Institution	
	2022 £000	2021 £000	2022 £000	2021 £000
(c) Other investments				
As at 1 August 2021	21,104	19,132	21,104	19,132
Additions*	6,042	115	6,042	115
Disposals	-	(1,133)	-	(1,133)
Fair Value adjustments	(642)	2,990	(642)	2,990
As at 31 July 2022	26,504	21,104	26,504	21,104

*During the year the University built up a fund of £6m from its own resources for repayment of the long term borrowings as they come due (note 17)

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	
	2022 £000	2021 £000	2022 £000	2021 £000
General consumables	8	3	-	-

15. Trade and other receivables

	Consolidated		Institution	
	2022 £000	2021 £000	2022 £000	2021 £000
Amounts falling due within one year:				
Research grants receivables	21,551	10,635	21,551	10,635
Trade receivables	11,204	19,136	9,652	19,432
Trade debt provision	(3,238)	(6,461)	(3,110)	(6,382)
Prepayments and accrued income	8,147	15,996	7,643	15,983
Other taxation	188	-	188	-
Amounts due from group undertakings	-	-	14,378	12,272
	37,852	39,306	50,302	51,540
Amounts falling due after more than one year:				
Loans by parent undertakings	-	-	11,822	12,910
Prepayments and accrued income	814	1,086	814	1,086
	814	1,086	12,636	13,996
	38,666	40,392	62,938	65,536

Research grants receivable represent only accrued research income. Included in prepayments and accrued income is £814,000 (2021: £1,086,000) due after more than one year, which constitutes deemed consideration received by Heriot-Watt University from Borders College for the sale of its Galashiels site to the College in return for 17.5 years rent-free occupation of part of the site, commencing from the 1 February 2009, this being the practical completion date for the redevelopment of the site.

16. Creditors: amounts falling due within one year

	Consolidated		Institution	
	2022 £000	2021 £000	2022 £000	2021 £000
Unsecured loans	1,062	1,029	1,062	1,029
Grants in advance for research	29,857	27,949	29,716	27,779
Other grants in advance	694	2,012	694	2,012
Other creditors	128	95	128	95
Trade creditors	8,515	3,586	8,224	3,237
Other taxation and social security	5,026	5,400	4,762	5,416
Accruals and deferred income	47,958	57,348	45,162	55,359
Amounts owed to subsidiary undertakings	-	-	3,645	2,942
	93,240	97,419	93,393	97,869

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

	Consolidated		Institution	
	2022 £000	2021 £000	2022 £000	2021 £000
Unsecured loans	146,482	145,200	146,482	145,200
Deferred income	85,294	74,587	61,652	50,179
Other creditors	3,637	2,181	-	-
	235,413	221,968	208,134	195,379

Analysis of unsecured loans:

	Consolidated		Institution	
	2022 £000	2021 £000	2022 £000	2021 £000
Due within one year or on demand	1,062	1,029	1,062	1,029
Due between one and two years	629	629	629	629
Due between two and five years	1,425	1,751	1,425	1,751
Due in five years or more	144,428	142,820	144,428	142,820
	147,544	146,229	147,544	146,229

Unsecured loans outstanding at 31 July 2022 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.	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. (USD loan)	246	2027	2.99	University
Massachusetts Mutual Life Insurance Co. (USD loan)	3,613	2027	2.99	University
NY Trust (Barings) (USD loan)	3,530	2027	2.99	University
Great West Life & Annuity Insurance Co. (USD loan)	8,210	2029	3.08	University
Scottish Funding Council Salix loans	1,168	2025	-	University
Scottish Funding Council Salix loans	1,394	2029	0.25	University
Scottish Funding Council Salix loan	1,255	2041	0.25	University
Scottish Funding Council Salix loan	694	2041	0.25	University
Scottish Funding Council Salix loan	434	Revolving	-	University
	147,544			

18. Provisions for liabilities

	Pension Provisions			Total £000
	Obligation to fund USS deficit £000	Lothian pension fund deficit £000	Unfunded pension benefits £000	
Consolidated				
At 1 August 2021	24,660	36,597	257	61,514
Utilised in year	(12,714)	(3,410)	(27)	(16,151)
Movement	50,994	(33,187)	-	17,807
At 31 July 2022	62,940	-	230	63,170
Analysis of net movement in provision				
Charged to staff costs (note 7)	38,064	4,595	(27)	42,632
Net charge on pension assets (note 8)	217	597	-	814
Actuarial (gain) on pension schemes	-	(41,790)	-	(41,790)
Total movement	38,281	(36,598)	(27)	1,656
Institution				
At 1 August 2021	24,660	36,597	257	61,514
Utilised in year	(12,714)	(3,410)	(27)	(16,151)
Movement	50,994	(33,187)	-	17,807
At 31 July 2022	62,940	-	230	63,170
Analysis of net movement in provision				
Charged to staff costs (note 7)	38,064	4,595	(27)	42,632
Net return on pension assets (note 8)	217	597	-	814
Actuarial loss on pension schemes	-	(41,790)	-	(41,790)
Total movement	38,281	(36,598)	(27)	1,656

Obligation to fund USS deficit

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the USS to fund deficit payments in accordance with the deficit recovery plan. In calculating this provision, management have estimated future staff levels within the USS scheme for the duration of the contractual obligation and salary inflation. The deficit recovery plan implemented following the 2020 actuarial valuation has resulted in a provision of £61.9 million as at 31 July 2022.

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 2022:	Estimate of increase in Provision to fund USS deficit recovery (£000)
0.5% pa decrease in discount rate	38
0.5% pa increase in salary inflation over duration	44
0.5% pa increase in salary inflation year 1 only	41
0.5% pa increase in staff changes over duration	43
0.5% pa increase in staff changes year 1 only	41

Lothian pension fund deficit

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

Unfunded pension benefits

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

19. Endowment reserves

	Restricted permanent endowments £000	Expendable endowments £000	Consolidated	
			2022	2021
			Total £000	Total £000
Balances at 1 August 2021				
Capital	8,668	2,224	10,892	9,721
Accumulated Income	718	427	1,145	803
	9,386	2,651	12,037	10,524
New endowments	310	4	314	95
Investment income	238	66	304	315
Expenditure	(46)	(130)	(176)	(488)
	9,888	2,591	12,479	10,446
Increase/(decrease) in market value of investments	(95)	(25)	(120)	1,591
As at 31 July 2022	9,793	2,566	12,359	12,037
Represented by:				
Capital	8,573	2,199	10,772	10,892
Accumulated income	1,220	367	1,587	1,145
	9,793	2,566	12,359	12,037

	Restricted permanent endowments £000	Expendable endowments £000	Consolidated	
			2022	2021
			Total £000	Total £000
Analysis by type and purpose:				
Lectureships	1,735	1,160	2,895	2,851
Scholarships and bursaries	4,572	884	5,456	5,336
Prize funds	1,505	414	1,919	1,748
General	1,981	108	2,089	2,102
	9,793	2,566	12,359	12,037
Analysis by assets:				
Current and non-current asset investments			10,772	10,892
Cash and cash equivalents			1,587	1,145
			12,359	12,037

20. Restricted reserves

	Research grants £000	Donations £000	Consolidated	
			2022 Total £000	2021 Total £000
Balances at 1 August 2021	5,462	3,408	8,870	8,127
New grants	5,776	-	5,776	17
New donations	-	2,413	2,413	1,305
Investment income	-	49	49	36
Expenditure	(1,020)	(692)	(1,712)	(792)
Increase in market value of investments	-	(12)	(12)	177
	4,756	1,758	6,514	743
As at 31 July 2022	10,218	5,166	15,384	8,870
Analysis of other restricted funds/donations by type and purpose:				
Lectureships	-	634	634	466
Scholarships and bursaries	-	2,108	2,108	1,777
Research support	10,218	-	10,218	5,462
Prize Funds	-	25	25	3
General	-	2,399	2,399	1,162
	10,218	5,166	15,384	8,870

21. Cash and cash equivalents

	Consolidated	
	2022 £000	2021 £000
Balances at 1 August 2021	105,371	109,423
Cash flows, in year	7,248	(4,052)
As at 31 July 2022	112,619	105,371

22. Consolidated reconciliation of net debt

	Consolidated	
	2022 £000	2021 £000
Net debt 1 August 2021	(40,858)	(37,452)
Movement in cash and cash equivalents	7,248	(4,052)
Other non-cash changes	(4,236)	496
Changes in market value and exchange rates	2,921	150
Net debt 31 July 2022	(34,925)	(40,858)
Change in net debt	5,933	(3,406)
	Consolidated	
	2022 £000	2021 £000
Analysis of net debt:		
Cash and cash equivalents	112,619	105,371
Borrowings: amounts falling due within one year		
Unsecured Loans	(1,062)	(1,029)
Borrowings: amounts falling due after one year		
Unsecured loans	(146,482)	(145,200)
Net Debt as at 31 July 2022	(34,925)	(40,858)

23. Capital and other commitments

	Consolidated & Institution	
	2022 £000	2021 £000
Provision has not been made for the following capital commitments at 31 July 2022:		
Commitments contracted	1,676	15,303
Authorised but not contracted	7,817	10,596
	9,493	25,899

24. Lease obligations

At 31 July 2022 commitments under operating leases were as follows:

	31 July 2022			2022 £000	2021 £000
	Land and buildings £000	Plant and machinery £000	Other leases £000		
Consolidated				Total	Total
Payable during the year	8,501	120	91	8,712	6,295
Future minimum lease payments due:					
Not later than 1 year	8,840	108	65	9,013	9,680
Later than 1 year and not later than 5 years	34,631	59	28	34,718	37,363
Later than 5 years	20,153	-	15	20,168	72,099
Total future minimum lease payments due	63,624	167	108	63,889	119,141
Institution					
Payable during the year	6,485	1	92	6,578	4,651
Future minimum lease payments due:					
Not later than 1 year	6,338	-	65	6,403	6,079
Later than 1 year and not later than 5 years	24,626	-	28	24,654	23,332
Later than 5 years	20,153	-	15	20,168	24,946
Total future minimum lease payments due	51,117	-	108	51,225	54,357

Total rentals receivable under operating leases:

	31 July 2022			2022	2021
	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	750	-	-	750	723
Later than 1 year and not later than 5 years	2,775	-	-	2,775	2,596
Later than 5 years	43,890	-	-	43,890	39,906
Total lease payments due	47,415	-	-	47,415	43,225

Contingent rents receivable recognised in the Statement of Comprehensive Income during 2022 were £750k (2021: £751k).

25. Subsidiary undertakings

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

Company	Principal activity	Number of shares	Percentage owned
Edinburgh Business School (Limited by Guarantee) SC173556	Dormant, this company is exempt from the requirement to prepare individual accounts virtue of s.394a of the Companies Act 2006	-	100%
Edinburgh Conference Centre Limited	Dormant, this company is exempt from the requirement to prepare individual accounts virtue of s.394a of the Companies Act 2006	100	100%
Heriot-Watt Services Limited	The management and operation of the National Performance Centre for Sport	100	100%
Heriot-Watt Trading Limited	The provision of consultancy, pipeline technology, language translation and interpretation services, management and business training and the manufacture of finished goods	2,000,000	100%
Scottish College of Textiles Limited	Dormant, this company is exempt from the requirement to prepare individual accounts virtue of s.394a of the Companies Act 2006	6	100%

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

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

26. Pension schemes

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.

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 £17,504,000 (2021: £1,989,000); and is analysed as follows:

	Employer pension contributions (note 7)	Net charge on pension assets (note 8)	Provision movement (note 18)	Consolidated	
				2022 £000	2021 £000
Universities Superannuation Scheme	12,713	217	38,064	50,994	10,541
Lothian Pension Fund	3,410	597	(37,195)	(33,188)	(9,129)
Scottish Teachers Superannuation Scheme	36	-	(27)	9	24
Other pension costs	720	-	-	720	553
	16,879	814	842	18,535	1,989

The pension costs are assessed in accordance with the advice of independent qualified actuaries using the projected unit method. The latest actuarial funding valuations of the USS pertaining to these accounts was on 31st March 2020, 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% for period 01/08/2021 to 30/09/2021, 21.4% for period 01/10/2022 to 31/03/2022 and 21.6% for period 01/04/2022 to 31/07/2022.

The total cost charged to the statement of comprehensive income is £12,714,000 (2021: £10,837,000) as shown above.

Deficit recovery contributions due within one year for the University are £3,979,000 (2021: £3,171,000)

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

The key financial assumptions used in the 2020 valuation are described below. More detail is set out in the statement of Funding Principles.

CPI assumption	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves less: 1.1% p.a. to 2030, reducing linearly by 0.1% p.a. to a long-term difference of 0.1% p.a. from 2040
Pension increases (CPI)	CPI assumption plus 0.05%
Discount rate (forward Rates)	Fixed Interest Yield curve plus: Pre-retirement: 2.75% p.a. Post retirement: 1.00% p.a.

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the Scheme's experience carried out as part of the 2020 actuarial valuation. The mortality assumptions used in these figures are as follows:

Mortality base table	101% of S2PMA "light" for males and 95% of S3PFA for females
Future improvements to mortality:	CMI 2019 with a smoothing parameter of 7.5, an initial addition of 0.5% p.a. and a long-term improvement rate of 1.8% pa for males and 1.6% pa for females

The current life expectancies on retirement at age 65 are:

	2022	2021
Males currently aged 65 (years)	23.9	24.7
Females currently aged 65 (years)	25.5	26.1
Males currently aged 45 (years)	25.9	26.7
Females currently aged 45 (years)	27.3	27.9

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

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

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. If the scheme's liabilities are assessed as being greater than its assets, the institution recognises a provision. The institution does not recognise a pension asset when it has established a provision to recognise the net value of those assets and liabilities calculate a surplus unless the Institution is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

An actuarial valuation exercise has been undertaken by a qualified independent actuary in order to calculate pension expense as at 31 July 2022

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

	2022	2021
Equities	71%	72%
Bonds	14%	14%
Property	7%	6%
Cash	8%	8%

The major assumptions at 31 July 2022 used by the actuary

	2022	2021
Pension increase rate	2.75%	2.85%
Salary increase rate	3.25%	3.35%
Discount rate	3.50%	1.60%

Life expectancy

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

	Males	Females
Current Pensioners	20.3 years	23.1 years
Future Pensioners*	21.6 years	25.0 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 2022	CMI 2020 model, with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% and a long term rate of improvement of 1.5% p.a	CMI 2020 model, with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% and a long term rate of improvement of 1.5% 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	2022			2021		
	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	150,996	-	150,996	136,657	-	136,657
Present value of funded liabilities	-	(187,397)	(187,397)	-	(185,636)	(185,636)
Present value of unfunded liabilities	-	(196)	(196)	-	(213)	(213)
	150,996	(187,593)	(36,597)	136,657	(185,849)	(49,192)
Defined benefit costs recognised in Profit or (Loss)						
Service Cost						
Current service cost*	-	(8,019)	(8,019)	-	(6,962)	(6,962)
Past service cost (including curtailments)	-	-	-	-	(110)	(110)
	-	(8,019)	(8,019)	-	(7,072)	(7,072)
Net interest						
Interest income on plan assets	2,415	-	2,415	1,912	-	1,912
Interest cost on defined benefit obligation	-	(3,012)	(3,012)	-	(2,604)	(2,604)
	2,415	(3,012)	(597)	1,912	(2,604)	(692)
	2,415	(11,031)	(8,616)	1,912	(9,676)	(7,764)
Cashflows						
Plan participants' contributions	809	(809)	-	790	(790)	-
Employer contributions	3,409	-	3,409	3,466	-	3,466
Estimated benefits paid	(4,137)	4,137	-	(4,246)	4,246	-
Estimated unfunded benefits paid	(14)	14	-	(14)	14	-
Estimated contributions in respect of unfunded	14	-	14	14	-	14
Effect of business combinations and disposals	-	-	-	-	-	-
	81	3,342	3,423	10	3,470	3,480
	153,492	(195,282)	(41,789)	138,579	(192,055)	(53,476)
Expected closing position						
Remeasurements						
Changes in demographic assumptions	-	827	827	-	2,686	2,686
Changes in financial assumptions	-	62,038	62,038	-	(10,905)	(10,905)
Other experience	-	(6,182)	(6,182)	(7,194)	12,681	5,487
Return on assets excluding amount included in net interest	6,647	-	6,647	-	-	-
Adjustment in respect of asset not recognised	(21,540)	-	(21,540)	19,611	-	19,611
Total remeasurements recognised in Other Comprehensive Income (OCI)	(14,893)	56,683	41,790	12,417	4,462	16,879
Closing Position as at 31 July 2022	138,599	(138,599)	-	150,996	(187,593)	(36,597)
Represented by:						
Fair value of plan assets	138,599	-	138,599	150,996	-	150,996
Present value of funded liabilities	-	(138,437)	(138,436)	-	(187,397)	(185,859)
Present value of unfunded liabilities**	-	(162)	(162)	-	(196)	(196)
Closing position as at 31 July 2022	138,599	(138,599)	-	150,996	(187,593)	(36,597)

* The current service cost includes an allowance for administration expenses of 0.3% of payroll. ** The unfunded obligations comprise £162,000 in respect of LGPS unfunded pensions and £0 in respect of Teachers' unfunded pensions.

The institution does not recognise a pension asset when the net value of those assets and liabilities calculate a surplus unless the Institution is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. Therefore, the net asset position of £21,540,000 has not been recognised.

Information about the defined benefit obligation

	Liability split (£000) as at 31 July 2022	Liability split (%) as at 31 July 2022	Weighted average duration at previous formal valuation
Active members	13,704	77.0%	23.9
Deferred members	801	4.5%	24.4
Pensioner members	3,298	18.50%	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 2023

Period Ending 31 July 2022	Assets	Obligations	Net (liability)/asset	
	£000	£000	£000	% to pay
Projected Current service cost*	-	4,181	(4,181)	(30.4%)
Total Service Cost	-	4,181	(4,181)	(30.4%)
Interest income on plan assets	5,604	-	5,604	40.7%
Interest cost on defined benefit obligation	-	4,605	(4,605)	(33.5%)
Total Net Interest Cost	5,604	4,605	999	7.2%
Total Included in Profit and Loss	5,604	8,786	(3,182)	(23.2%)

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 £13,754,000.

The contributions paid by the Employer are set by the Fund following an actuarial valuation. For further details on the approach adopted to set contribution rates for the Employer, please refer to the latest formal valuation report and Funding Strategy Statement.

The Employer's contributions are estimated for the period to 31 July 2023 to be approximately £3,397,000.

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 2023 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 2022:	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	2,454
1 year increase in member life expectancy	4%	5,249
0.1% increase in the Salary Increase Rate	0%	240
0.1% increase in the Pension Increase Rate (CPI)	2%	2,225

In order to quantify the impact of a change in the financial assumptions used, the value of the scheme liabilities as at 31 July 2022 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 estimate originally calculated. There has been no change in this position during the year to 31 July 2022

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 2022.

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 2022 was £51,224 (2021: £75,934), of which employer's contributions totalled £35,509 (2021: £51,430) and employee's contributions totalled £15,715 (2021: £24,504).

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 166 employees were active members at the year-end. The employer's costs for the year ended 31 July 2022 was £22,944 (2021: £28,404).

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 2022 was £45,853 (2021: £46,574).

27. 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
	£000	£000	£000	£000
Financial liabilities				
Trade creditors and other payables (less accruals and loans)	47,857	-	44,220	3,637
Other financial liabilities	147,544	-	1,062	146,482
	195,401	-	45,282	150,119

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	
	2022	2021
	£000	£000
Financial assets		
Trade debtors and other receivables	29,705	23,310
Cash and cash equivalents	112,619	105,371
	142,324	128,681

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:

	2022	2021
	£000	£000
Fixed rate instruments		
Financial liabilities	(142,600)	(140,689)
Variable rate instruments		
Financial assets	26,504	21,104

• 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	
	2022	2021
	£000	£000
Trade debtors and other receivables	29,705	23,310
Cash and cash equivalents	112,619	105,371
Trade creditors and other payables	(47,857)	(41,223)
Other financial liabilities	(147,544)	(146,229)
	(53,077)	(58,771)

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

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

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

28. Access funds

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

	COVID-19 £000	Childcare £000	Hardship £000	Total £000
At 1 August 2021	41	52	355	448
Repaid to funding body	(41)	(52)	(355)	(448)
Funding council grants	429	75	276	780
Disbursed to students	(43)	(66)	(197)	(306)
Vired between funds	-	-	-	-
Balance unspent at 31 July 2022	386	9	79	474
Repayable to funding body	386	9	79	474

29. 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 31/7/2022	Payments made	Balance due from Institution at 31/7/2022
	£000	£000	£000	£000
Year ended 31 July 2022				
City of Edinburgh	51	-	1,551	9
Microsense Technologies Ltd	-	-	8	2
Ministry of Defence	2	-	-	-
Department for Business and Industrial Strategy	130	56	-	-
Social Investment Scotland	15	-	-	-
University of Newcastle Upon Tyne	12	-	21	-
Abrdn	-	-	2	-
The Law Society Scotland	-	-	1	-
Entrepreneurial Scotland Foundation	-	-	2	-

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 £685,753 (2021: £729,607).

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.

CONTACT US

Edinburgh Campus

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

Scottish Borders Campus

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

Orkney Campus

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

Dubai Campus

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

Malaysia Campus

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