



ANNUAL REPORT & FINANCIAL STATEMENTS

For The Year Ended 31 July 2020

SCOTTISH UNIVERSITY OF THE YEAR

THE TIMES
THE SUNDAY TIMES
GOOD UNIVERSITY
GUIDE 2021

TOP MODERN (POST-1992) UNIVERSITY IN SCOTLAND

 Complete
University
Guide
2021

TOP UNIVERSITY
IN SCOTLAND
AND
**3RD IN THE UK
FOR GRADUATE
EMPLOYMENT**
(GRADUATE OUTCOMES SURVEY)

LEADING
UNIVERSITY IN SCOTLAND
FOR THE NUMBER OF
INNOVATION VOUCHERS

**2ND IN SCOTLAND
AND IN THE UK***
FOR OVERALL STUDENT SATISFACTION
National Student Survey 2020



* Excludes small, specialist and private providers

GOLD AWARD IN THE
TEACHING EXCELLENCE FRAMEWORK
PLACING US IN THE
TOP 20%
OF THE BEST UNIVERSITIES IN THE UK
FOR TEACHING AND LEARNING



2ND
LARGEST PROVIDER OF
GRADUATE APPRENTICESHIPS
IN SCOTLAND

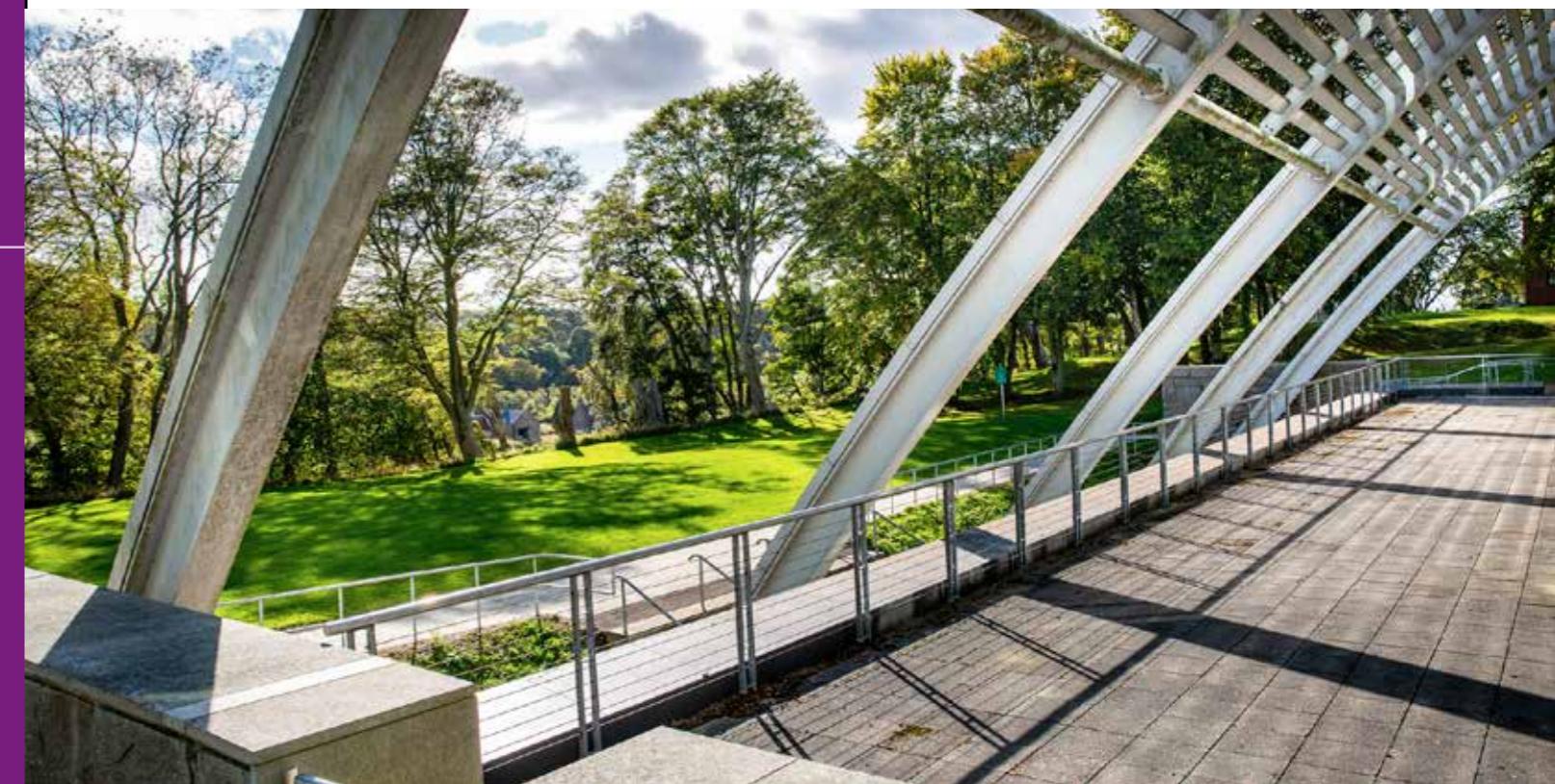
16,000
STUDENTS
from **132** COUNTRIES

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PRINCIPAL'S INTRODUCTION



It has been a year of significant achievement for Robert Gordon University (RGU). When I took up the role of Principal at the start of September 2020, I reflected on the success of the University over the last year, which has undoubtably been the result of the dedication and professionalism of staff right across the organisation.

True to our commitment to a high-quality learning experience which places students at the centre of curriculum design and delivery, this year we have risen to second University in Scotland, and in the UK [*excluding small, specialist and private providers] for overall student satisfaction in the National Student Survey 2020. This excellent performance is a major endorsement of the hard work of staff, which flowed into a number of league tables this year, most notably the Times and Sunday Times Good University Guide which named RGU as the Scottish University of the Year 2021.

We have retained our leading reputation for graduate employability, with a 97.6% graduate employment rate and securing third place in the UK and top in Scotland for the employment of our graduates among universities in the new Graduate Outcomes survey. As a professionally-focused institution, our emphasis on employability has also seen us respond to the skills needs of the region and learners with the launch of a short course provision designed to strengthen workforces and provide individuals with upskilling development opportunities.

Our achievements in the last year are evidenced by the recovery of our student tuition fee revenues, exceeding target for 2019/20. We have also continued to lead the way in innovative work-based learning with our successful approach to the recruitment and delivery of Graduate Apprenticeships in Scotland. In 2019/20 we were awarded 175 places across a range of disciplines including business management, construction, engineering and data science.

Ambition and innovation are highly valued at our University, which stood us well in our response to the pandemic. We rapidly transitioned to remote working and learning with the onset of the pandemic to mitigate the impact of COVID-19 on our operations and the student experience, while responding to the economic challenges and contributing to the national effort in the fight against the virus.

In the space of a week, we modified our curriculum and revised our assessment methods for full online delivery for all years of study. We ensured our students were fully supported by delivering all of our support and wellbeing services online, which continued to operate throughout the pandemic. The scope of what we have achieved demonstrated our significant strengths as an innovative University.

As we look ahead, we will build on our strengths to evolve our strategic direction, take forward our successes and emerge stronger to be the best we can be as a professionally-focused University delivering high quality teaching and research which is responsive to the needs of the communities we serve.



STRATEGY REPORT



STRATEGY OVERVIEW

Our strategic mission is to transform individuals and communities by providing demand-led teaching and research to contribute to economic, social and cultural development. To achieve this, we have established a strategy map which reflects our significant strengths in higher education.

Our strategy sets out an ambition to extend the reach and relevance of the University's work-based provision and to play a wider role in supporting economic development regionally, nationally and internationally. It also ensures that we continue to offer an inclusive and high-quality student experience while growing the impact of our research in key areas.

We never stand still as a University; our strategy is designed to evolve to respond to ever changing circumstances. The delivery of our strategy in 2019-20 is articulated in this annual report with key activity against its strategic aims and enablers.

OUR PURPOSE

To be an innovative, inclusive, impactful, professionally-focused university

OUR MISSION

To transform people and communities by providing demand-led teaching and research to contribute to economic, social and cultural development regionally, nationally and internationally

OUR CULTURE

RGU will thrive by valuing and celebrating a culture of authenticity, approachability, collaboration, innovation, ambition and respectfulness

AIMS

- > Extend the reach and relevance of learners' opportunities to gain employment and thrive in their professional career
- > Ensure a high quality student experience
- > Grow the university's globally-recognised impactful research
- > Stimulate economic development and support organisations to be more successful

ENABLERS

- > Our people
- > Our sustainability
- > Our infrastructure
- > Our partnerships

STRATEGIC AIM: TO EXTEND THE REACH AND RELEVANCE OF LEARNERS' OPPORTUNITIES TO GAIN EMPLOYMENT AND THRIVE IN THEIR PROFESSIONAL CAREERS

At RGU, we pride ourselves on our professionally-focused and relevant curriculum which provides learners with the skills they require to thrive throughout their careers. Through our commitment to creating equal access to higher education, we provide learning opportunities to people from the widest possible range of backgrounds and at all stages of their careers. This drives our strategic ambition to extend the reach of our curriculum to widen access to our courses and grow the number of students choosing to study with us. Our strategy is also focused on developing the range and diversity of our provision to support professional development and ensure our alumni have access to lifelong learning.

Key to our progress in widening access to education is our relationship with colleges. Our partnership with North East Scotland College (NESCol) is a leading example of further and higher education collaboration in Scotland. Set to be even further strengthened in 2020/21, our partnership has effectively delivered sustained growth in articulation in the North East of Scotland, providing alternative skills and opportunities for learners in the region to access higher education. The strength of the partnership is illustrated by the fact that the majority of the students articulating with advanced standing, which makes up around 20% of our non-controlled undergraduate student numbers, are from NESCol. We are proud of our achievements in student articulation with advancement standing, where we are third in Scotland for the highest number and have the second highest proportion. This year, new articulation routes for entry in 2020/21 were agreed with NESCol to create additional pathways to higher education for college students. Formal agreements have also been developed with Dundee and Angus College for additional funded places across a range of computing and management courses. We have also formalised articulation agreements with Fife College and Glasgow Clyde College.

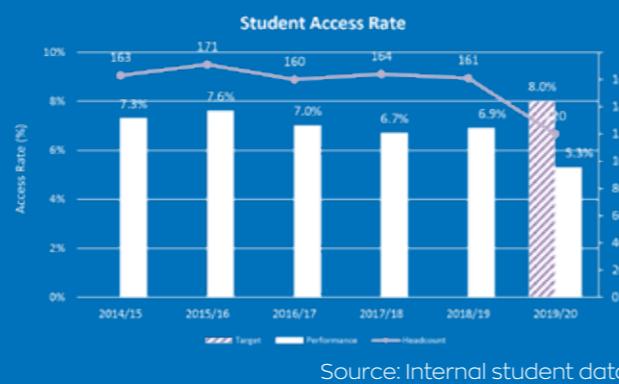
KPI: STUDENT ACCESS RATE

Definition: The university uses the target expressed by the Commission for Wider Access (COWA).

The proportion of full time, first degree Scottish domiciled entrants from MD20 postcode areas should reach 10% in each Scottish HEI by 2020/21.

TARGET: 8%

PERFORMANCE: 5.3%



SAFEGUARDING SUPPORT TO WIDEN ACCESS TO HIGHER EDUCATION



We are committed to widening access to our courses as we understand that higher education is one of the most effective means to combat social inequalities and deliver better employment outcomes.

Our Widening Access team has worked throughout the pandemic to safeguard our inclusive and supportive experience for students from disadvantaged backgrounds. To ensure students had the best start to their university journey, a bespoke welcome package of support tailored to their needs was made available. We sent 118 applicant packs to students in preparation for the new academic year, which consisted of a stationery pack, Sainsbury's, Amazon and Blackwell's vouchers, bus passes, USBs and other useful materials.

Aimed at promoting success in their studies, we developed a programme during the pandemic to deliver specific support to care-experienced or MD20 background students. In recognition of the importance of supporting students to minimise the impact of COVID-19 on the academic journey, the programme includes online study skills classes, bi-weekly updates about support services and study tips and dedicated pro-active phone calls from a study success advisor to offer support in specific areas.

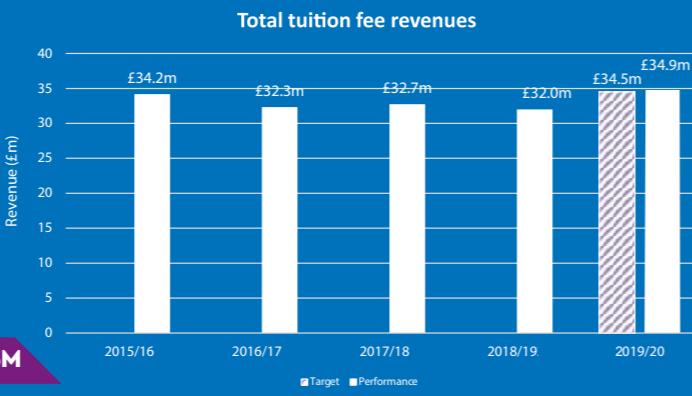
We have also ensured students from care-experienced or MD20 backgrounds are supported financially. We operate a discretionary fund that awards grants which do not need to be repaid. The fund, which made 15 awards in the academic year 2018-19, has seen an increase of applications in the year 2019-20 with 19 grants being awarded.

Our long tradition of widening access to higher education is evidenced in our success in recruiting SIMD20 (Scottish Index of Multiple Deprivation) students in Scotland, securing the top eight position despite the very small number of MD20 postcode areas regionally and relatively lower school attainment in the North East of Scotland. While our access target was not met (**KPI: Student Access Rate**) as a result of these specific challenges, the local context shows that we are highly successful in recruiting MD20 students and that the majority of these come from outside the local area. Recruitment in 2020/21 indicates that the number of MD20 entrants will exceed the number achieved in 2019/20.

Building on significant progress last year, in 2019/20 we made a number of improvements to enhance our offer to prospective students across a range of market segments and to further develop marketing and recruitment tools and tactics. This included a review of tuition fees, scholarships and discounts and in-country travel plans for semester one, alongside enhanced digital marketing campaigns focused on particular subject areas and demographics following on from market insights. We developed relationships with in-country agents and this will continue to be a focus of activity in coming years. The success of this integrated approach was demonstrated by successful recruitment in semester two, which helped us exceed our revenue target for student numbers.

KPI: TUITION FEE REVENUE

Definition: The total revenue earned from undergraduate and taught postgraduate students (including corporate courses and undergraduate short courses, fees subject to government loans, partnerships/transnational education and postgraduate research fees).



TARGET FOR 2019/20: TOTAL REVENUE OF £34.5M

PERFORMANCE: £34.9M

One of the most distinctive features of our provision is the strong focus on work-based learning and close links with industry and the public and voluntary sectors. These links have significantly supported our recruitment of Graduate Apprentices. In 2019/20, 184 Graduate Apprenticeship students started their studies at RGU across seven courses including construction, engineering, business, data science and accounting. In February 2020, we began recruitment for 2020/21 after securing a further award from Skills Development Scotland for 175 places. Despite the challenges of the recruitment cycle coinciding with lockdown and the drastic impact this had on the region's economy, 161 places were recruited for September 2020 and the remaining funding was used for a February 2021 start in data science and business management courses.

GRADUATE APPRENTICESHIP IN SHETLAND - A DEGREE OF REMOTENESS



Our approach to Graduate Apprenticeships (GAs) allows us to deliver our programmes in areas far beyond our Garthdee campus. We work with businesses from a range of sectors covering the length and breadth of Scotland.

Demonstrating the reach of our offering is the successful collaboration with Shetland-based business, Mesomorphic, a software development company that operates out of Lerwick.

Finlay Mercer joined Mesomorphic straight from high school and deeply values the opportunity to study and work simultaneously. He finds that being able to pursue a degree in a workplace, with satisfying and rewarding projects, without having to relocate is an ideal situation. He also enjoys the extremely hands-on and practical approach to learning.

Managing Director, Maria Bell, was eager to explore this new model of work-based learning to support the next generation of developers. Due to the nature of software development, having the opportunity to apply theory into a working environment at an early stage is incredibly beneficial to its apprentices and the company. They have found the GA to be valuable, as participants engage in all areas of the company while developing their technical skills, resulting in a solid foundation as they embark on their new career.

STRATEGY REPORT

Our close engagement with employers while recruiting Graduate Apprenticeships also provided further opportunity to fully understand the challenges faced by the different sectors. This has allowed us to refine the support we provide. For example, we launched a suite of online courses at the start of the lockdown to support businesses and the wide working age population to upskill. Interest in these short courses far exceeded the number of spaces available and participants provided overwhelmingly positive feedback. This positive start is now being used to inform the wider development of short course provision.

We have maintained our strong reputation for the employability of our graduates, which was further strengthened by our Employability Plus initiative. In the new Graduate Outcomes survey (that surveyed the graduating cohorts of 2017/18 15 months after graduation) we ranked third in the UK and top in Scotland for the employment of our graduates, exceeding our target for employability (**KPI: Student Employability Rate**).

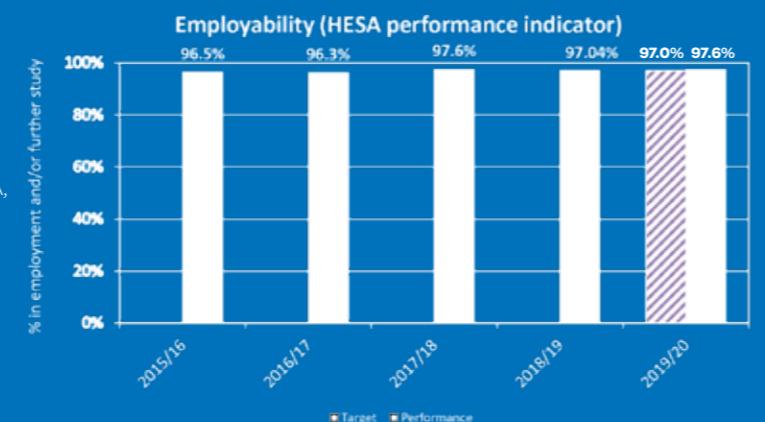
KPI: STUDENT EMPLOYABILITY RATE

Definition: The Higher Education Statistics Agency (HESA) Performance Indicator for employability.

Source: Graduate Outcomes Survey 2019/20, HESA, July 2020
Source of contextual information: internal RGU Leavers' survey, July 2020

TARGET: 97%

PERFORMANCE: 97.6%



Risks relating to this strategic aim

- Graduate employability is recognised as a risk both due to COVID-19 and potential impacts of Brexit. In response, we implemented a series of activities in the summer months which will continue into the next academic year to support our graduates and alumni. This included a series of professional development webinars for alumni, a series of online industry-led employability events for students and alumni, enhancements made to the Employability Hub platform and the implementation of an entrepreneurship summer school. We also increased awareness of the support available to all graduates through our employability hub and alumni team.
- There are two additional risks expressed in our high level risk register which are relevant to this strategic aim, including a risk around Scottish student recruitment and fee-paying student recruitment. Key activities to mitigate against these risks are underway including the deployment of virtual open days, applicant and offer holder sessions, conversion calling campaigns and a review of tuition fees, scholarships, and discounts. These are detailed further in the section relating to risk management.



STRATEGIC AIM: TO ENSURE A HIGH QUALITY STUDENT EXPERIENCE

A high quality student experience is vital to the delivery of demand-led teaching and research to transform people and communities. Our strategic ambition to deliver a high quality student experience focuses on our inclusive and supportive learning environment. We give students a strong identity through opportunities to shape their learning to suit their needs, enabling them to succeed in their studies and grow as individuals. Embedding entrepreneurship within all subject areas and promoting and facilitating student engagement in co-curricular activities are also key aspects of this strategic aim.

Maintaining our student experience has been key for us in light of challenges brought on by the COVID-19 pandemic. Following the closure of the campus, we were able to deliver teaching, learning and assessment in line with the usual academic timetable, providing stability to students during a very uncertain time. This success was a result of close planning and early engagement with the Students' Union and sustained investment in our online services. We also accelerated the implementation of actions resulting from the last review of student services for distance learners.

Right across all of our provision, we have developed creative and new ways of teaching, learning and assessment to meet the challenges of lockdown. Both Gray's School of Art and Scott Sutherland School of Architecture and Built Environment moved their entire annual degree shows online, allowing our talented final year students to showcase their work to a worldwide audience. Another example includes the delivery of an online festival for Events Management students celebrating culture and community in the city, which also raised money for charities. We were able to provide consistent standards across our schools through the extensive use of online communications software to facilitate teamwork and as a means of supporting online examinations alongside the use of online timed-release exams. All changes to assessment were approved by relevant external examiners and by Academic Council. Quality was also ensured by sharing any changes with the Quality Assurance Agency for Higher Education (QAA) with guidance to assessment boards.

We recognise that in an era of rising automation, it is the personal and inter-personal attributes of the individual that will be highly sought after by employers, alongside the skills and knowledge in their chosen discipline. The newly developed Learning and Teaching Framework is a template that underpins our efforts to produce future graduates who possess highly developed and valuable personal attributes as well as professional expertise, skills, judgement and knowledge. This framework is also aligned with research and recommendations from the Scottish Council for Development and Industry. The implementation of the framework includes the completion of School enhancement plans which will form part of the annual appraisal cycle.

TRANSFORMING LEARNING ONLINE WITH CREATIVITY AND INNOVATION



Our community demonstrated agility and determination in response to the pandemic. Staff and students had to quickly adopt new practices and transform already planned activities and projects to continue their studies.

When Events Management students were forced to run a planned programme of events online, they demonstrated incredible creativity, innovation and resilience and even raised money for local charities.

COVID-19 was bringing the events industry to a halt and the students were in the midst of hosting a series of fundraising events with seven local charity clients. Their events were only days away but it quickly became clear that they could not proceed as planned.

Having spent six months planning the events they pushed ahead – successfully transforming events to a digital format in a matter of days. The students transformed their original market concepts into online showcases of local businesses, video masterclasses performances from local musicians and online quizzes. Despite the challenging circumstances, the students created an exciting online experience and still provided benefit to their stakeholders raising over £1,000.

Importantly, following the lockdown we rapidly moved all student support services to an online provision. This included the remote delivery of study skills, counselling, disability support and career events, and increased the availability of sessions for students. The Silvercloud wellbeing resource for staff and students had an increased uptake during the period of lockdown, demonstrating the accessibility of its support.

We have worked closely with the Students' Union throughout the year to ensure that executive elections and recruitment of school officers, class reps, student leaders of clubs & societies and other student fora were prepared for the next academic session. We also enhanced and restructured the Student Welcome for 2020/21 to be delivered wholly online. This allowed us to provide new and returning students a safe welcome experience, minimise anxiety and establish a strong connection with them.

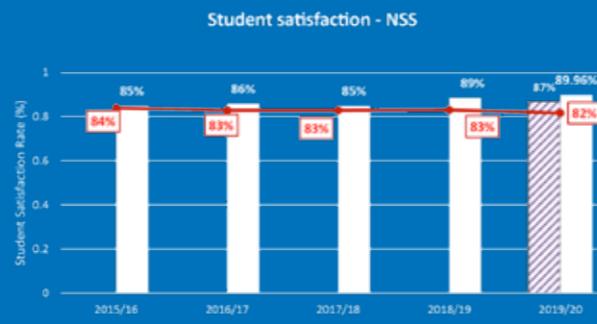
Our ongoing commitment to a high quality student experience is reflected in the very positive results of the National Student Survey 2020. We were placed the second highest University in Scotland, and in the UK (excluding small specialist and private providers) for overall satisfaction, and achieved the highest performance against assigned University benchmarks of the Scottish sector (**KPI: Student Satisfaction Rate**). This is a continued improvement from previous years highlighting the success of our approach.

KPI: STUDENT SATISFACTION RATE

Definition: Student satisfaction is measured through performance in the annual National Student Survey (NSS) commissioned by the Office for Students. The indicator is measured on the proportion of questionnaire respondents who respond positively to the question 'overall I am satisfied with the quality of the course'.

TARGET: 87%

PERFORMANCE: 89.96%



Source: NSS July 2020, Office for Students

Following on from positive performance in recent years, the student success rate (**KPI: Student Success Rate**) has declined in 2019/20. This is a trend reflected across the country and we remain eighth in Scotland for this measure. As a result, significant work was undertaken for the 2020/21 session to ensure that blended learning was in place, that the campus was safe to travel to and study at and that all support services were accessible online. SFC funding allowed for additional counselling support, in recognition of the increased focus on the mental wellbeing of students.

SUPPORTING STUDENTS' WELLBEING DURING THE PANDEMIC



Providing appropriate support for students to become resilient, succeed in their studies and grow as individuals is a cornerstone of our strategy.

As the COVID-19 pandemic spread, we moved our in-house professional counselling support sessions for students online and were able to increase their capacity and extend their availability at a time when students needed them the most. Over the last three years, we have seen a significant increase in the number of students using the counselling services. The ability to deliver our counselling services online has enabled us to support the most students since 2015/16, reaching 640 students in 2019/20.

The support has been available to students throughout the pandemic and aligns closely with their needs and schedules: being available after work, study or placement, and from wherever the student resides – removing travel to sessions during the pandemic and supporting social distancing.

An additional focus was placed on students choosing to become early entrant practitioners of nursing, and other health professions, to join the battle against COVID-19. Therefore, investment into counselling for students also supported wider public wellbeing.

The broader availability of support is thanks to us maximising the use of Scottish Funding Council investment into mental health counsellors. The carefully considered scheduling of additionally funded support meant that the academic year began without a waiting list for counselling sessions.

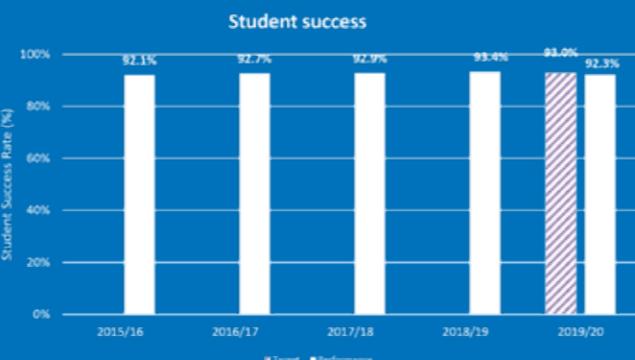
STRATEGY REPORT

KPI: STUDENT SUCCESS RATE

Definition: The proportion of full time first year Scottish domiciled undergraduate entrants returning to study in year two.

TARGET: 93%

PERFORMANCE: 92.3%



Source: Scottish Funding Council, May 2020

Risks relating to this strategic aim

- A specific risk is expressed on our high-level risk register that restrictions on operations adversely affect the student experience and attainment of students. A number of mitigating actions have taken place, as detailed above, including the rapid shift to online provision for teaching and learning and for support services, additional support provided to the Students' Union and preparatory work for a blended approach to learning, while ensuring that students have access to services and activities that recognise their changed circumstances and differing needs.



STRATEGIC AIM: TO GROW THE UNIVERSITY'S GLOBALLY RECOGNISED IMPACTFUL RESEARCH

Our strategic ambition continues to grow our research base in areas where we can make the biggest impact in the communities we serve. Key to this strategic aim is developing collaborations through academic, private and public research partnerships and fostering excellence in interdisciplinary research and knowledge exchange. The focus is also on building critical mass around established research leads and enhancing support for early career researchers.

An increasingly strong research culture has continued to flourish supported by the range of activities undertaken throughout lockdown to support early career researchers. The early career researcher network was re-launched this year and maintained an active calendar of events, providing a much-needed community for academic staff. A full roster of events will continue in 2020/21 to facilitate and support our research pipeline.

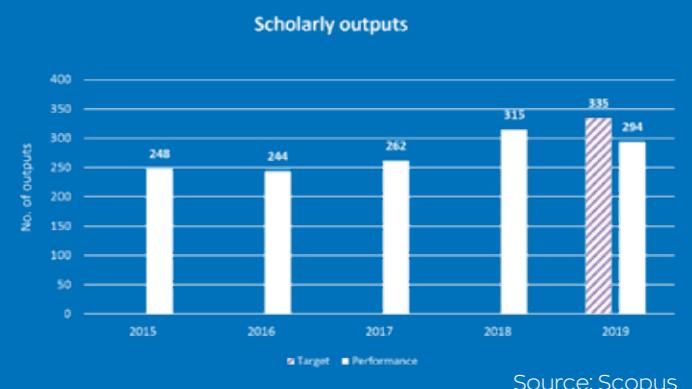
Following on from growth in research revenues in the past two years, we have continued to focus on high quality and targeted applications for external research funding and on ensuring that the work required for our submission for REF 2021 was completed. We continued to generate a steady stream of new proposals throughout the year with increasing numbers from early career researchers. The number of scholarly outputs this year was below target (**KPI: Research Outputs**) as a result of preparations for REF and as many researchers already published the year before. While we did not meet target this year, there is a clear and consistent rise from 2017 and prior years.

KPI: RESEARCH OUTPUTS

Definition: The number of scholarly outputs that have been published by measuring the number of scholarly outputs found in Scopus. This is provided by calendar year (rather than academic year) as this is the only timeframe available.

TARGET FOR 2019/20: 335

PERFORMANCE: 294



Before the lockdown, we were on a trajectory to achieve research income targets. This activity was affected by the pandemic and several high-profile funding calls were delayed or ceased. While the overall target for research income (**KPI: Research Revenue**) was not met, we did attract significant awards from UK Research Councils across a number of schools. This includes awards from the Biotechnology and Biological Sciences Research Council (BBSRC), and the Engineering and Physical Sciences Research Council (ESPRC). We also secured a significant award from the Arts and Humanities Research Council (AHRC).

KPI: RESEARCH REVENUE

Definition: The amount of research grant and contract income secured in the academic year 2019/20 from Research Councils, UK-based charities, the UK Government and the European Commission, in addition to other grants and contracts excluding research postgraduate studentships.

TARGET: £4.1M

PERFORMANCE: £2.9M



The National Subsea Centre had been due to launch in 2019/20, but this has been rescheduled to 2020/21 due to the pandemic. The centre is a multimillion-pound partnership with the Oil and Gas Technology Centre (OGTC) and a central component of the innovation strand of the Aberdeen City Region Deal to tackle current and future challenges in subsea engineering in the marine environment with world-class research and development. Despite the unprecedented circumstances this year, significant activity was undertaken to progress the project throughout the lockdown, which will continue to have a close alignment with the regional economic priorities. We are in the process of recruiting professors to lead on key areas of research within the National Subsea Centre, which will be a critical component of our Energy Transition and Net Zero agenda. Through industrial-led research, the National Subsea Centre will play a key role in the region's energy transition ambitions, leveraging the collective strength of the underwater industries - from offshore renewables and oil and gas, to marine science and defence - to support emerging and future low carbon technology and activity.

Risks relating to this strategic aim

- Not only has the pandemic had major negative effects on research funding, but Brexit brings a major risk in terms of European funding sources. We are closely monitoring our research funding as a high-level risk going into 2020/21 with improvement actions to launch the National Subsea Centre, secure investment to support the development of new revenue streams and continue supporting early career researchers through co-ordinated delivery of bespoke training.
- In addition, there is a specific risk related to the National Subsea Centre, that it is unable to address the needs of industry. Improvement actions are underway to recruit relevant research teams and business development managers and to further develop the National Subsea Centre business plan. Further detail is on pages 39 to 41.

SUPPORTING RESEARCHER DEVELOPMENT



Home to high quality research and training facilities, we train, nurture and develop researchers through the Early Career Researcher (ECR) Network, which provides additional training opportunities for early career researchers. This bespoke programme has enabled Dr Yang Jiang to network with her peers across the university resulting in a successful research career so far.

As part of our commitment to stimulate excellence in interdisciplinary research and knowledge exchange, Dr Jiang was supported through a fully-funded PhD studentship with the School of Computing Science and Digital Media to work in partnership with Professor Richard Laing of the Scott Sutherland School of Architecture and Built Environment. She was also supported through the Aurora Women in Leadership programme, which aims to develop future women leaders.

To enable Dr Jiang to be adaptable and flexible in an increasingly diverse and global research environment, she has been allocated 40% research time to support her development and research projects.

The most recent project she has been involved with alongside colleagues from the School of Creative and Cultural Business and Gray's School of Art has been granted £1.3million from the Arts and Humanities Research Council (AHRC). The cross- school RGU research team is collaborating with Donghua University and Shanghai International Fashion Innovation Centre with the aim of building long-term and sustainable industry partnerships. The project, titled From Augmented to Authentic: Weaving the Past into the Future, explores how immersive experience and techniques could be used to represent and preserve the history and heritage of traditional fashion and textile products.

STRATEGIC AIM: TO STIMULATE ECONOMIC DEVELOPMENT AND SUPPORT ORGANISATIONS TO BE MORE SUCCESSFUL

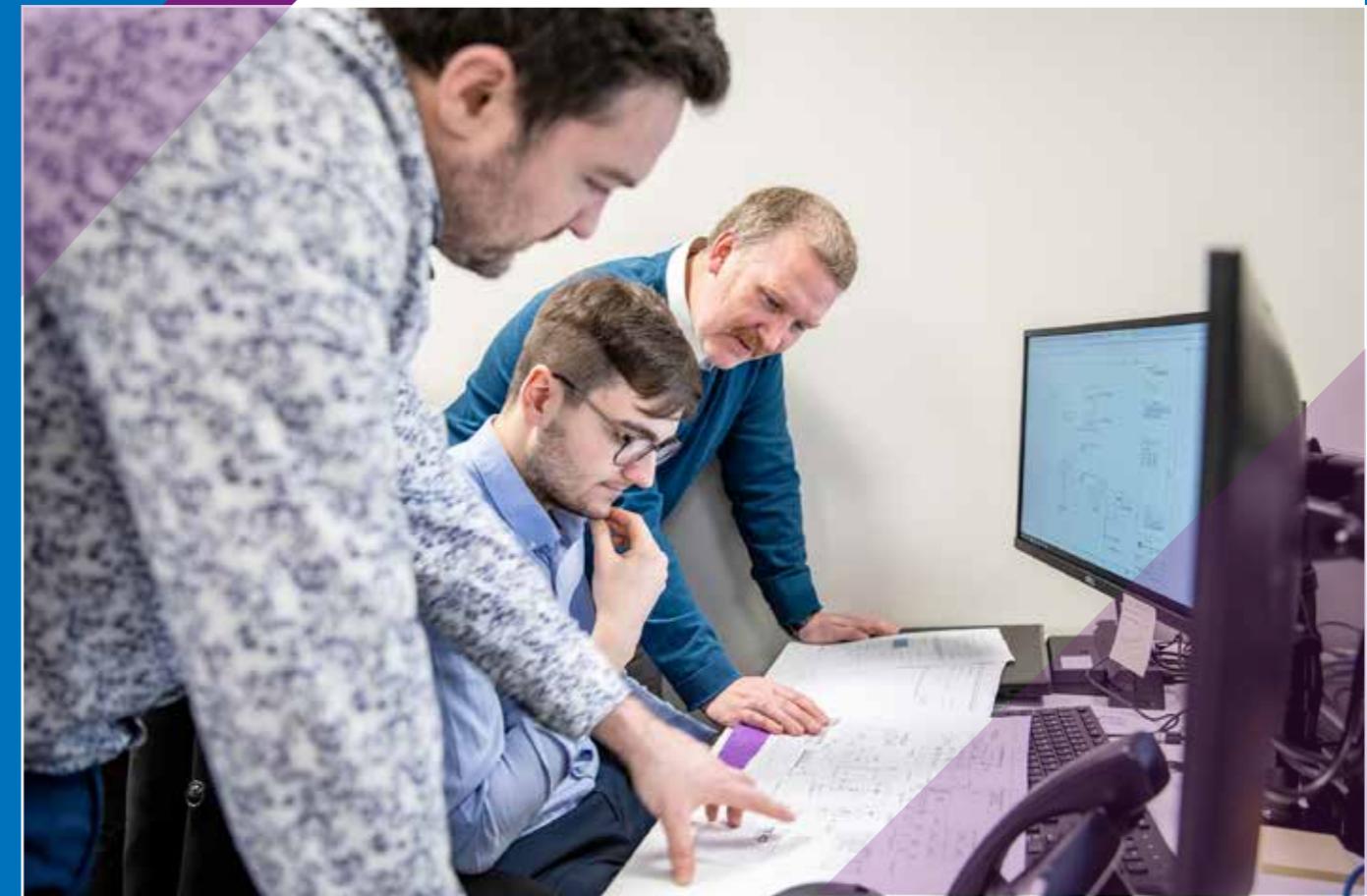
Our strong engagement with industry and the wider economy over the years has been intensified since the inclusion of this aim within our strategy. Our engagement is centred on partnerships and collaboration to promote greater innovation in the economy and with the private, public and third sectors. Our strategic aim sees us working with organisations to enhance skills, develop new products and services and to promote and export our expertise to stimulate international economic development.

A key approach taken has been to use government-funded initiatives to support businesses to prosper. These mechanisms are well established and can fund our engagement and support. This approach was particularly important when the country went into lockdown. Businesses needed immediate assistance in areas such as adapting their supply chains and gaining access to new markets and the necessary digital skills. Our approach in using government-funded programmes brought much needed resource in addition to our own expertise.

Another mechanism which we have been very successful with is the use of knowledge exchange programmes. We became the lead institution in Scotland for partnering with companies to secure SFC Innovation Awards, with 32 awarded across a range of sectors. We also secured five Innovate UK Knowledge Transfer Partnerships (KTPs), with organisations including Aberdeen Harbour Board, Harris Tweed Hebrides and Dean's of Huntly, and a further two are already secured for 2020/21.



RESPONDING TO ECONOMIC CHALLENGES IN THE FACE OF THE PANDEMIC



The COVID-19 pandemic has brought wide-spread implications for the economy, seriously affecting how companies do business and, in some areas, threatening their very existence. In line with our strategic aim to stimulate economic development and support organisations to be more successful, we have been working on a range of initiatives throughout the course of the pandemic and into the recovery.

Quickly after the initial national lockdown, we launched a suite of fully-funded online short courses focused on strengthening businesses and providing individuals with skills development opportunities in response to the current climate. There was significant demand for the courses, with over 1400 applications within 10 days of launch, which led to a new offer of online courses to support upskilling in key areas.

Recognising the importance of Graduate Apprenticeships to supporting workforce development, a range of departments across RGU continued in a collaborative effort to secure 161 GAs with 102 companies during lockdown. Our work in knowledge exchange has also seen significant uptake during the pandemic, with targets for Knowledge Transfer Projects (KTPs) and Innovation Vouchers both being exceeded. We are currently the leading university in Scotland for Innovation Vouchers, having secured 32 projects with 31 companies this year spread across multiple sectors.

We were particularly able to adapt and respond positively to support businesses when lockdown occurred due to our standing commitment to stimulating the economy and supporting organisations to be more successful.

As with other areas of the University, a rapid transition to online provision was required across its business engagement and entrepreneurship activities. Following the successful launch of the RGU Accelerator in 2018/19, the second Accelerator programme was run this year with a cohort of 21 teams. We responded to the COVID-19 pandemic by innovatively delivering the programme online in its second year, including a virtual showcase attended by the Scottish Minister for Innovation, Trade and Investment in May. In addition, the Creative Accelerator, run in partnership with Look Again at Gray's School of Art, was delivered as an online programme to support creative entrepreneurs amid the pandemic. The programme concluded in a virtual 'Postgraduate Showcase', to celebrate the work of the creative practitioners and emerging entrepreneurs.

We are proud of the continued success of our start-up companies, with many entering national awards and funding opportunities. Four of the teams from our Accelerator programme were semi-finalists of the Converge Challenge and three made it to the Scottish EDGE semi-finals.

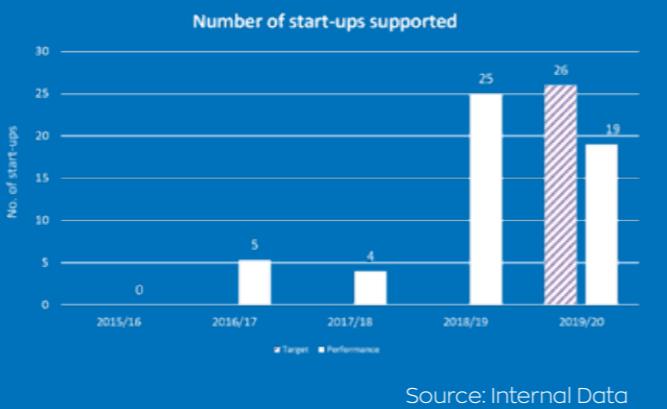
This year saw the continued delivery of the Library Innovation Network Aberdeenshire (LINA), a collaboration with Aberdeenshire Council to stimulate entrepreneurship in rural communities. It was successfully migrated online with minimal disruption to the programme to rapidly respond to the changing needs of the rural entrepreneurial community as a result of the pandemic.

KPI: NUMBER OF START-UPS SUPPORTED

Definition: The number of new business start-ups and social enterprises started by staff, students or graduates including spinouts, which are eligible for inclusion in the HESA HE-BCI return for the academic year.

TARGET: 26

PERFORMANCE: 19



Although our shift to online operations was successful, the pandemic caused a delay in the completion of commercial appraisal for four of the start-ups supported, which resulted in a narrow miss of our target (**KPI: Number of Start-ups Supported**). In addition, a lack of on-campus activity and necessary changing priorities and focus for research and academic staff in the face of the pandemic meant that our target for the number of invention disclosures registered (**KPI: Number of Invention Disclosures Registered**) was not met.

CULTIVATING THE CREATIVE SECTOR



In 2019, we ran the Creative Accelerator Programme, which supported 10 businesses from a range of disciplines including visual art, fashion and textiles, design, crafts, broadcasting and performing arts. The programme provided business support, mentoring and masterclasses by creative industry leaders.

Building on the success of this programme, in 2020 we developed and launched a Creative Entrepreneurship short course to provide creatives in Scotland with the knowledge, skills and confidence to transition their creative practice into viable businesses.

The course ran twice with 47 participants across the two cohorts. In response to the Covid-19 pandemic, the weekly workshops went virtual with a focus on group discussion, inspiring industry speakers and activity-based peer-to-peer interaction. The online environment created the opportunity to invite speakers from a wide range of locations and, without the need to travel, the second cohort welcomed students from across Scotland, extending the reach and accessibility of the course.

An example of success from the course is evidenced by a student who has applied the skills and knowledge to launch and run a very successful fundraiser to develop their business, achieving their target and securing match-funding. The creative entrepreneur is now working on fulfilling the crowdfunding rewards which will launch their product with nearly 100 customers.

Another accessibility bonus of digital technology meant the joint showcase, which was the culmination of the courses, was open to anyone in the world to take part and view the practitioner's work.

STRATEGY REPORT

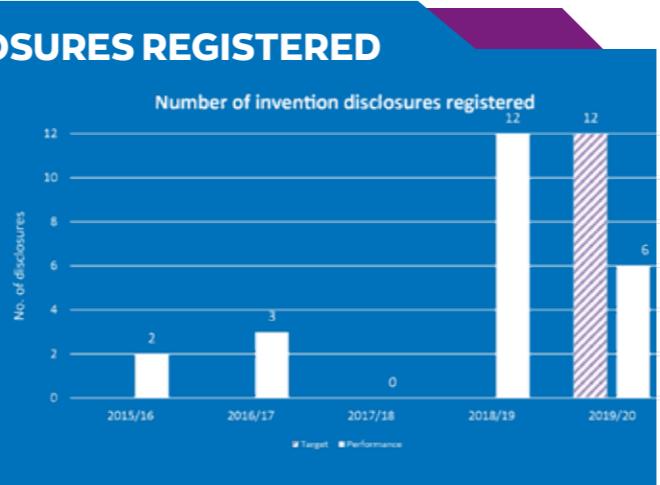
KPI: NUMBER OF INVENTION DISCLOSURES REGISTERED

Definition: The number of new completed disclosure forms that are eligible for inclusion in the HESA HE-BCI return for the academic year.

Source: Internal Data

TARGET: 12

PERFORMANCE: 6



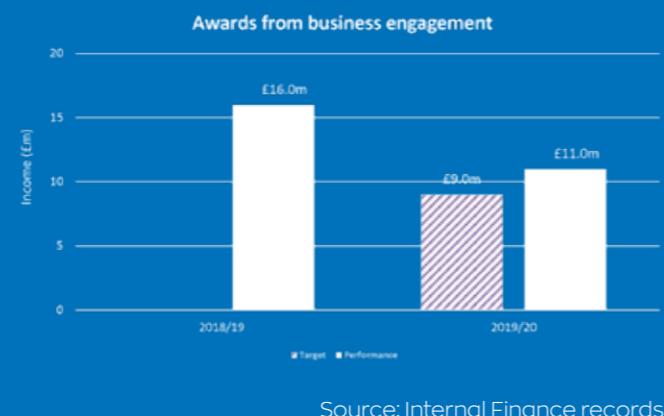
We have significantly exceeded our target for awards from business engagement (**KPI: Awards from Business Engagement**) despite the pandemic. These awards represent a cross-university commitment to working with organisations, regionally and internationally. The awards reflect a wide range of activities including a new undergraduate award in Paramedic Practice, funded by NHS Education Scotland (NES), trans-national education partnerships in Switzerland and Sri Lanka, knowledge exchange and graduate apprenticeships across Scotland and energy short courses and summer schools delivered for partners as dispersed as Japan, Trinidad and Ghana. To undertake all of these activities, we have developed relationships with organisations of different sizes, from SMEs to Governments and sectors including energy, health and social care, construction, food and drink and digital. We now have 226 collaboration agreements with businesses, illustrating the progress made in supporting the regional economy and beyond.

KPI: AWARDS FROM BUSINESS ENGAGEMENT (NATIONALLY AND INTERNATIONALLY)

Definition: The financial value of new contracted awards (based on minimum number contracted and on receipt of award letter) in the academic year in relation to contracts associated with national and international business and economic development; Graduate Apprenticeships; Knowledge Transfer Partnerships; innovation centres; innovation vouchers; consultancy; closed short courses and Partnerships/Transnational Education (TNE).

TARGET: £9M

PERFORMANCE: £11.04M



One of our key priorities is to actively develop international relationships. While progress was delayed as a result of the pandemic, we have provided close support to our transnational partners throughout lockdown to successfully deliver courses and increase enrolments.

Risks relating to this strategic aim

- The economic downturn faced by the country and its impacts is recognised on the high-level risk register with a series of improvement actions in progress to ensure that we are able to successfully contribute to the regional and national economic recovery from the pandemic. More detail on this is available on pages 39 to 41.



STRATEGY REPORT

STRATEGIC ENABLERS

Our People

We are committed to attracting and retaining the best staff and students from around the world and fostering a welcoming and inclusive environment for all. This year posed a unique set of challenges due to the changed working arrangements and external factors. This is why we implemented a series of actions to support our staff and boost their morale. These included four additional days of annual leave to provide respite to staff during lockdown, the provision of free online physical health sessions through RGU Sport and wellbeing advice and support through the online Silvercloud service. These covered specific topics on issues and anxieties relating to the pandemic. We also restructured our internal communications to ensure that all staff felt connected during lockdown including regular information briefings from the Principal. This year also saw a full review and redesign of staff development programmes, such as the introduction of an online suite of sessions for individuals and groups, recognising that staff development is more important than ever. The staff survey which is used to measure performance for staff satisfaction (**KPI 13: Staff Satisfaction**) was not undertaken this year as a result of disruption arising from the pandemic.

Risk relating to this strategic enabler

- We recognise that changed working arrangements may affect the operational delivery of our activities as staff morale may be negatively impacted. As noted above, a series of improvement actions have been implemented to support staff. Detail is available at pages 39 to 41.



Employment of Disabled People

We are an approved Disability Confident employer and are working to remove barriers, increase understanding and ensure that disabled people have the opportunities to fulfil their potential. In 2020, 7.03% (2019, 6.39%) of our workforce have declared that they are disabled. It is our policy to develop and maintain measures to encourage the recruitment, development and retention of disabled individuals. This includes regular review of access and safety facilities throughout the University, taking steps to retain or retrain individuals where they acquire a disability and review of recruitment procedures to encourage applications from disabled people.

Modern Slavery

We are committed to establishing practices to combat slavery and human trafficking. Our Modern Slavery Statement, made pursuant to section 54 (1) of the Modern Slavery Act 2015, sets out the steps that we have taken to ensure that slavery and human trafficking are not taking place in our supply chains or in any part of our business. The statement is published in full on our website and reviewed on an annual basis.

Our Infrastructure

This year has continued to build on the positive progress made for off-campus provision. We accelerated the implementation of actions resulting from the previous year's review of student services. Our smooth transition to online learning, assessment and working were made possible due to enhancements to our virtual learning environment to improve the student and staff experience. Key activities included a rapid integration of Microsoft Teams and Zoom as a critical communication and collaboration tool for our community which was embraced by staff and students, increased capacity of the digital estate to cope with increased demand, purchase of 650 laptops to support home working, hosting critical operational systems online, and establishing an Information and Cyber Security working group to manage the safety and security of information, systems and infrastructure.

Our Partnerships

We have continued to grow our partnership with NESCol this year, building on 20 years of collaboration. This closer partnership aims to establish an industry and student-centred sustainable skills infrastructure within the North East of Scotland that is agile and responsive both to the challenges currently facing the region, and the opportunities of the future. We are establishing a joint Strategy Planning & Delivery Board with NESCol to enable integrated academic planning, development, and delivery. This joint approach is aimed at supporting the creation of sustainable FE and HE education, the development of a more efficient, responsive and relevant shared course portfolio and a more effective approach to widening access and participation in further and higher education. We have also taken steps to enhance our engagement with colleges across the country this year to create additional places and formalise articulation arrangements.

As part of our student-centred approach, we work very closely with the Students' Union and this year focused on providing increased support in the areas of representation, sport and societies. We have involved the Students' Union in our decision making throughout the pandemic, ensuring there was student representation on its COVID-19 response group to manage the transition to online delivery and prepare for the start of the semester, including a programme of welcome support. This partnership with the Students' Union and the general student body from the very start of the pandemic has ensured that our students were supported to continue their course rather than experience an abrupt and premature end to the academic year. This experience has proved invaluable in planning for a potentially reduced level of contact time on campus for our courses over the first part of the coming academic session.

We have continued to work closely with regional partners including Opportunity North East (ONE) and are represented on each of the ONE Boards. We worked with ONE, the University of Aberdeen, the Oil and Gas Technology Centre and Aberdeen City and Aberdeenshire councils to submit a regional proposal to establish a world-leading energy cluster in Aberdeen and the Shire. We have worked particularly closely with ONE and other regional partners since lockdown to address the significant economic challenges faced by the area in light of COVID-19 and the low oil price, and as the region pursues energy transition opportunities. In addition, we have continued to engage with our regional community through a number of projects including work with NHS Grampian to deliver a rolling programme of training to equip hundreds of key NHS staff with critical skills throughout the pandemic. Other developments have been implemented jointly with stakeholders within the North East region such as the ONE Tech Hub in our premises in the city centre, and the delivery of the Library Innovation Network Project with Aberdeenshire Council.

Our Sustainability

As a publicly funded institution, we are committed to the pursuit of economy, efficiency and effectiveness and seek to embed principles of value for money in all of our activities. During 2019/20, financial sustainability continued to be at the core of our efforts to attain institutional efficiencies.

This year has been particularly challenging for the financial sustainability of universities across the country. Public funding settlements continue to be at or below inflation; international competition for higher education continues to grow and the COVID-19 pandemic has challenged our sustainability in many different ways. However, during 2019/20 we saw a clear and significant upturn in the volumes of our core business. Student numbers increased resulting in a near 10% rise in tuition fees. Research revenues, which grew significantly during 2018/19, looked set to increase yet again during the first half of 2019/20. The subsequent pandemic did depress research revenues so that at year end these are slightly down on prior year; but underlying research volumes continue to be strong.

BETTER AIR FOR THE BUILT ENVIRONMENT



We are committed to supporting the Scottish Government's aim to reduce carbon emissions. Our framework to deliver on our commitment through carefully targeted actions and interventions of our campus operations are already bearing fruit through a wide range of carbon reduction and fuel efficiency measures.

We have sought investment to deliver on our commitment by applying for funding to implement a range of carbon reduction initiatives. We spent a part of the investment received through the SFC's University Carbon Reduction Fund towards refurbishing air handling units in the Aberdeen Business School.

The refurbishment was aimed at reducing energy consumption and avoiding wastage. Aside from making the air handling units more energy-efficient, the project helped to improve the sustainability of the units by prolonging their operational life thereby avoiding unnecessary and expensive replacements.

Based on readings from the upgraded systems, we have already recorded an hourly saving of 63.9 kW which roughly translates to an energy saving of 199,368 kWh per year. In simple terms, this approximately equals to CO₂ emissions from charging 17,977,089 mobile phones.*

The reduction in energy consumption is also expected to provide a financial saving of £32,895 a year, which supports our aim to achieve cost efficiencies where possible.

(*data from United States Environmental Protection Agency's Greenhouse Gas Equivalencies Calculator)

STRATEGY REPORT

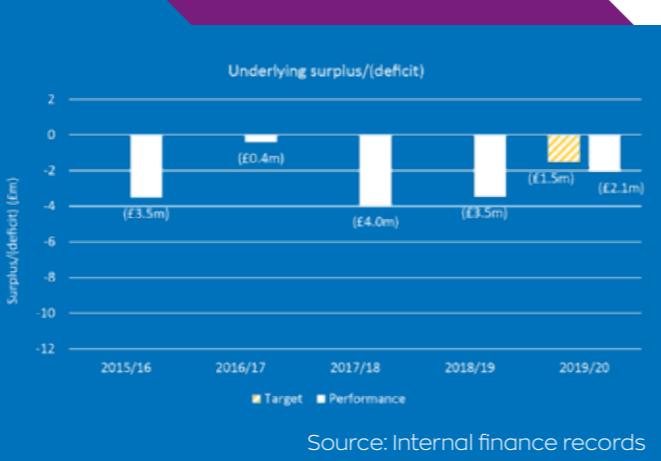
Our 2019/20 deficit before other gains and losses is £8.6m. After adjusting for non-cash pension charges of £6.1m and restructuring costs of £0.4m, the underlying deficit for the year is £2.1m (**KPI: Underlying Surplus**). The trend for this key performance indicator over the last three years shows a steady movement towards sustainability, in difficult operating environments.

KPI: UNDERLYING SURPLUS

Definition: The 'Surplus or Deficit Before Other Gains and Losses' as reported in the annual financial statements, after adjusting for exceptional items and non-cash pension costs or charges.

TARGET: (£1.5M)

PERFORMANCE: (£2.1M)



We are continually focused on cash generation. As with our research activities, the early part of the year suggested that our target for cash generated from operations would be exceeded. The impact of the pandemic caused a downturn in cash generation in the second half of the year, which resulted in our cash from operations for 2019/20 being just under target at £6.0m (**KPI: Cash Generated from Operations**). This will remain an acute focus for the coming years.

KPI: UNDERLYING CASH GENERATED FROM OPERATIONS

Definition: Our net cash inflow/outflow from operating activities is the net cash inflow/outflow from operating activities reported in the cash flow statement, excluding cash flows from exceptional items.

TARGET: £6.3M

PERFORMANCE: £6M



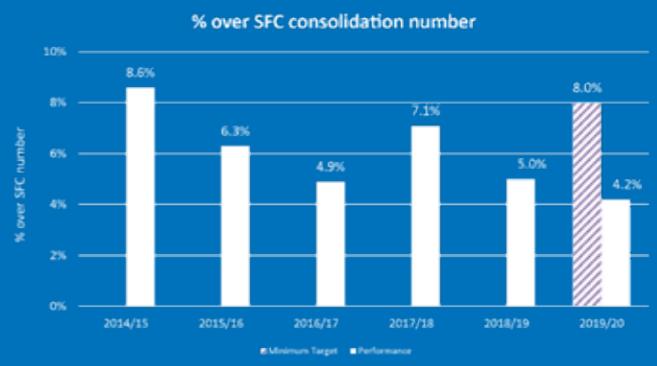
Once again, this year, we have sought to off-set the risk of the potential implications of Brexit on EU27 student recruitment and impact of withdrawal of funding for EU students by seeking to slightly increase our percentage of SFC funded students (**KPI: Percentage over the SFC Consolidation Number**).

KPI: PERCENTAGE OVER THE SFC CONSOLIDATION NUMBER

Definition: The percentage difference between the SFC funded fulltime undergraduate student number (intake and continuing) and the consolidation number for non-control subjects (i.e. 10% tolerance over the funded number)

TARGET: 8-10%

PERFORMANCE: 4.2%



We are committed to reducing the environmental impact of our operations. Our sustainability framework 'RGU Net Zero' sets out our action plan through our campus activities, our academic offer and through our thought leadership and innovation. This will see us significantly reduce our emissions from energy, transport and consumables, while increasing our recycling and building sustainability into all of our future decisions. We will also embed sustainability and net zero principles and practices in our future course, degree and research portfolio. The framework's third area will focus our thought leadership and innovation agenda on supporting delivery of net zero. Underpinning the framework are clear targets through to 2030.

This year saw a decrease of nearly 15% in electricity consumption as a result of energy reducing works, funded by the SFC University Carbon Reduction Fund initiative in 2018/19. A further £2.1m was secured this year for projects to be undertaken in 2020/21 for a series of works which is estimated to result in a reduction of 400t CO₂e per annum. This figure is inclusive of Scope 1, Scope 2 and Scope 3 emissions as reported under the Climate Change (Scotland) Act.

Risk relating to this strategic enabler

- We recognise that political responses to the higher education funding crisis, which has arisen as a result of the pandemic, may threaten our independence. As a result, we have closely engaged with Universities Scotland, the Scottish Million+ Principals Group and with the Scottish Government and the Scottish Funding Council. Detail is available at pages 39 to 41.

STRATEGY REPORT

FINANCIAL REVIEW

Scope of the financial statements

These financial statements are prepared under Financial Reporting Standard 102 (FRS 102) and the rewritten Statement of Recommended Practice (SORP) 2019 – Accounting for Further & Higher Education Institutions.

The financial statements include our relevant results and our subsidiaries, principally Univation Limited (together ‘the group’).

Operating results for the year

The group’s results for the year are detailed in the Consolidated Statement of Comprehensive Income and Expenditure on page 70.

	2019/20 £000	2018/19 £000
Income		
Expenditure	92,853 (101,460)	91,943 (100,078)
Deficit before other gains/losses	(8,607)	(8,135)
Other gains	292	1,486
Deficit before tax	<hr/> (8,315)	<hr/> (6,649)

Total incomes of £92.9m were up on prior year by £0.9m or by 1%.

Tuition fees increased significantly in relation to prior year, by £2.9m, or 9.1%, to £34.9m. UK and EU fees totalled £20.7m, an increase of £0.9m or 4.6% over 2018/19. Underlying student numbers here were correspondingly up on prior year. Non-EU fees for the 2019/20 financial year have increased significantly to £13.5m, up by £2.3m or 20.4% on prior year. Again, underlying international student numbers were significantly increased this year.

Funding Council grants received increased over the prior year, up by £0.6m to £45.1m. Within this total teaching grants increased by £0.7m or 1.8% to £41.7m; research grant funding decreased by £0.2m or 9.8% to £2.1m and strategic funding was up slightly at £0.5m. Capital maintenance grants decreased slightly to £0.9m for 2019/20.

Income from research grants and contracts for the year was down on prior year by £0.2m, or 7.3%, at £2.9m. Research activity was badly affected by the pandemic preventing full access to the University campus for the latter part of the year.

Other income decreased by £2.2m or 20.9% to £8.4m. This was primarily due to the closure of the campus in response to the pandemic. This greatly reduced miscellaneous revenues, including most significantly in both the accommodation and catering businesses. These reductions included no catering provision at the University from March 2020 onwards and also a requirement to refund nearly £0.5m to students as they left University accommodation early.

Both Investment incomes and Donations and Endowments were approximately flat on prior year. Total expenditures increased by 1.4% or £1.4m to £101.5m. Staff costs increased during the year by £2.8m or 4.4% to £65.1m. Substantially all of this increase relates to increases in the costs of the University’s pension schemes.

There is an increase of over £1m in the employer contributions payable in respect of the Scottish Teachers Pension Scheme, following the recent large increase in contribution percentage. This represents a significant additional cash outflow for the University.

There is also a significant increase, of £1.7m (from £3.2m in 2018/19 to £4.9m in 2019/20), in the estimated annual cost of the North East Scotland Pension Fund – over and above the employer cash contributions already paid by the University. These adjustments are currently increasing annually and are considered necessary to ensure that the expected cost of a full year’s accrual of pension benefits for scheme members is accounted for within staff costs.

Adjusting for pensions costs underlying staff costs were flat on prior year, as were staff numbers.

Other operating expenses decreased by £3.0m, or 10.3%, to £25.9m. The major reductions here are related to the change in use of the campus brought about by the pandemic. Premises costs are about £1m down – with the costs of utilities usage, estate maintenance and similar estate activities greatly reduced by the restrictions in campus usage. Similarly, the costs of maintaining and operating the University’s residencies and catering businesses also reduced by around £1m. Of course, the fall in ‘Other Incomes’ mentioned below is often clearly related to this fall in other expenditures.

The group’s depreciation charge for the year increased from £7.4m to £8.0m. Interest and other finance costs increased by £0.6m to £2.1m for 2019/20. Underlying loan interest costs were static at £1.1m but there was an increase of £0.6m in the interest charge on the pension scheme deficit from £0.4m to £1.0m;

The net group operating result for the year was a deficit of £8.3m (2018/19 deficit of £6.7m).

STRATEGY REPORT

Total Comprehensive Income for the Year

The group's total comprehensive income for the year was a deficit of £19.7m (2018/19; deficit £35.7m) as a result of non-operating losses for the year totalling £11.4m.

This loss is driven by the significant increase in the North East Scotland Pension Scheme deficit. This deficit increased from £47.4m at July 2019 to £64.8m at July 2020, an increase of £17.4m. Non-cash costs of £6.0m in respect of pension deficit interest and other pension costs have already been accounted for in the operating deficit. The difference, £11.4m, represents an increased provision for the University which is primarily caused by historically low discount rates driving up the current cost of future pension provision. More details of the University's pension obligations are provided in the notes to the accounts.

Cash flows

The group's cash flows are detailed in the Consolidated Statement of Cash Flows on page 73. The group generated cash inflows from operating activities of £5.6m for the year, an increase of £1.5m over the £4.1m generated during the previous year. Investing activities resulted in cash outflows of £1.6m (2018/19 £3.0m) whilst financing activities experienced net inflows of £2.2m (2018/19 net outflow £0.6m). The current year financing inflow is due to Scottish Funding Council loans received during the year of £3.6m to fund campus improvement projects which, because of the pandemic, will now take place in 2020/21.

Available cash and cash equivalents increased by 6.2m from £11.8m at the start of the year to £18.0m at July 2019.

The group's current asset investments increased during the year by £0.2m to £7.5m. Group debt levels increased from £32.8m to £36.3m.

Capital projects

The group invested £2.8m in fixed assets during the year. The main elements of this capital expenditure were investments in the University's IT infrastructure.

Treasury management

The group's financing and liquidity requirements are managed by the University's central treasury function. Minimum liquidity levels are set by the group's financial strategy and adherence to these is monitored by regular cash flow forecasting throughout the year. In addition, as part of the group's planning processes, rolling ten-year financial forecasts are prepared and these include the group's estimated capital expenditure requirements. In this way, both liquidity requirements and any future borrowing needs can be determined on a timely basis.

Professional external managers manage the investment of the group's free cash balances and their performance is monitored by the Finance and General Purposes Committee of the Board of Governors.

The group's foreign currency earnings form a small part of its overall revenues and, hence, overall exposure to exchange risk is low. It is not, therefore, appropriate to adopt formal strategies to reduce exposure to these risks although, on occasion, the group hedges significant one-off foreign currency receivables by purchasing forward contracts.

Year-end position of the group

The group's balance sheets are detailed in the Consolidated and University Statement of Financial Position on page 72. The balance sheet has been affected by recent changes in the local authority pension deficit. Net assets decreased significantly in the year from £155.8m to £136.0m. The group's net working capital position has, however, strengthened significantly during the year from £9.2m to £15.1m.

The financial statements continue to be prepared on a going concern basis as the University Board considers that the University has adequate financial resources to continue in operational existence for the foreseeable future. In forming this opinion, the University Board has prepared and evaluated a base case and reasonably possible downside cash flow forecast scenarios for the period to 31 July 2022. Further information is in Note 1 of the financial statements.

Payment of creditors

It is the University's policy to obtain the best terms for all business and there is no single policy as to the terms used. In agreements negotiated with suppliers, the University endeavours to abide by specific payment terms. There was no interest paid under the Late Payments of Commercial Debts (Interest) Act.

During the year ended 31 July 2020, creditors were paid on average in 24 days (2019: 28 days).

Political donations

No donations for political purposes were made during the year.

Auditor

KPMG LLP were re-appointed as external auditors to the University.

STRATEGY REPORT

THE UNIVERSITY'S SUSTAINABILITY FRAMEWORK

Recognising that financial sustainability is key to ongoing and future success, our recast strategy in 2018 placed securing and maintaining sustainability at its core. The strategy has a clear aim to return to financial sustainability within a three-year period through the development and delivery of high-quality, demand-led provision. This commitment is expressed in one of the strategy enablers to grow and diversify sources of revenue to reduce reliance on public funding and provide for strategic investment needs. It also aims to achieve our purpose through efficient focused and sustainable operations, and to fulfil our responsibility to reduce the environmental impact of our operations.

The delivery of the strategic aims and enablers is operationalised through our business plan. The process of developing the business plan includes the outcome of our annual school appraisals. This incorporates reflections on the annual course appraisal process to identify progress, successes and areas for future work. There is also a department planning process and a full review of performance against the key performance indicators for the past year. Each key performance indicator is aligned clearly to one of the strategic aims or enablers within the strategy and, where relevant, key performance indicators mirror targets within our Outcome Agreement.

In recognition of the financial pressures and changed circumstances arising from the pandemic, the business plan and high-level risk register were reviewed extensively to take account of the pressures and risks arising from COVID-19. This included a re-prioritisation of



actions within the business plan with a number accelerated to meet the increased need for online provision. The high-level risk register was reviewed to take account of the numerous risks posed by COVID-19 across all aspects of the University, including student recruitment, graduate employability, student experience, staff morale, research income, the launch of the National Subsea Centre and changes in the external political environment. While both the business plan and high-level risk register were amended, the definitions and targets of the key performance indicators were retained, reflecting our intention to continue to achieve our targets.

As a result of the financial pressures, a series of mitigating actions were undertaken to reduce expenditure and to improve the final financial outturn. This included reductions in maintenance programmes and savings in utilities to account for deferred capital expenditure. Alongside this, we engaged extensively with the SFC to discuss financial scenarios.

Progress against the business plan and associated targets continues to be monitored by the Executive on a regular basis and reported to the Board of Governors. This is captured through quarterly reports on progress against the business plan actions and progress against the improvement actions of the risk register to ensure that we are managing our risks effectively. As we continue to experience a period of considerable change and uncertainty, the Executive will advise the Board when internal and/or external circumstances suggest the necessity to make amendments to the business plan and/or the high level risk register.

RISK MANAGEMENT AND INTERNAL CONTROL

Our approach to risk management recognises the need to strike a balance between innovation and stability in order that we are able to continue to advance and succeed.

To ensure consistency with our strategic aims, the risk appetite statement is reviewed on an annual basis and as such was amended in 2020 under the circumstances of the global COVID-19 pandemic. From the review, the risk appetite statement retains areas of compliance, reputation, financial areas of activity, the four strategic aims of our strategy and pandemic guidance. The risk appetite statement is used extensively across the University to triage new business and commercial opportunities as they arise.

We take an adverse approach to managing our exposure to compliance and pandemic guidance risks while encouraging an open approach to risks around reputation, financial risks and the student experience. We have an appetite for risk in regards to the three strategic objectives of reach and relevance, impactful research and economic development. It is recognised that our overall appetite for risk is high, however this does vary according to the activity undertaken and to reflect regulatory requirements.

STRATEGY REPORT

The risk management policy defines the key aims of our approach to risk management as follows:

- i. Integrate risk management into the culture of the University;
- ii. Manage risk in accordance with good practice;
- iii. Consider legal compliance as a minimum standard;
- iv. Anticipate and respond to changing social, environmental and legislative requirements;
- v. Prevent injury and damage and reduce the cost of risk;
- vi. Raise awareness of the need for risk management.

The process to identify, evaluate and manage risks is embedded in our planning process. This includes maintaining a strategic high-level risk register, aligned with the strategy and business plan, as well as requiring each School and Professional Support Department to develop and maintain its own risk register, informed by the annual planning process, the risk management policy and the risk appetite statement. The Director of Planning & Policy has operational responsibility for risk management and for providing the Audit Committee regular reviews of how risks are being actively managed. The Board of Governors retains the overall responsibility for our system of internal control and for reviewing its effectiveness.

The strategic risk register is reviewed on a regular basis by the Executive Group and the Audit Committee, with the Board of Governors receiving quarterly reports. While the high-level strategic risks are aligned with our strategic aims, we recognise that risks may evolve and change over the year. As such, the risks are regularly reviewed and re-scored to ensure that the risk management framework is addressing those risks which are most important. The high-level risk register was reviewed extensively in 2019/20 as a result of the COVID-19 pandemic with current risks, and improvement undertaken to date as follows:

Risk Title	Improvement Actions
Scottish Student Recruitment - The University is unable to recruit to its funded numbers in a context of greater competition for Scottish students.	Significant activity has been undertaken to mitigate the risk that the university is unable to recruit to its Scottish places. This has included online events for applicants, offer holders and enquirers and the development of regular and personalised communications to applicants. This enhanced marketing campaign ran to the end of August and targeted activity resulted in significant increases in applications for nursing courses and from MD20 applicants. As a result, the university has secured its overall funded places (both controlled and non-controlled).
Fee-paying student recruitment - The University is unable to overcome additional challenges to the recruitment of fee-paying students.	Given the uncertainty in terms of visa and travel arrangement for international students as a result of covid-19, the University undertook a series of activities to develop the applicant pipeline as follows. A Student Recruitment Group was established and meets on a fortnightly basis and online events, similar to those held for Scottish applicants, were run with positive engagement from international students. A strong applicant pipeline was developed for semester 1.

Economic Downturn - The changed business needs of key economic sectors both regionally and globally presents difficulties to securing profitable opportunities.	Providing support to key economic sectors during the covid-19 pandemic has been a focus for the university. A series of Upskilling courses were delivered online and a portfolio of additional courses identified to focus on the Health and Social Care and Energy sectors. Additionally, RGU Knowledge Bites for Business was launched to provide further support.
Student Employability - The decline in employment opportunities results in graduates being unable to find relevant professional-level employment.	To support summer 2020 graduates the University implemented an enhanced graduate discount of 33% for TPG courses in 2020/21. The Employability Hub implemented a series of enhancement to the eHub job portal with expanded availability of vacancies. In addition, a series of online workshops were run over the summer months with employers.
Research Funding - Inability to develop research capacity and grow revenues in line with the university's financial forecasts.	Activity to further develop research capacity was undertaken with the appointment of a research co-ordinator to support early career researchers. Research funding bids were processed throughout the year however total research income was below target due to a negative impacts of the pandemic.
National Subsea Centre - The NSC is unable to address the needs of industry, damaging reputation and threatening sustainability.	While the launch of the centre was delayed, recruitment of relevant research teams is underway and additional lecturing staff have been recruited in data science. A strategic relationship with the University of Strathclyde has progressed with Terms of Service agreed. Activity to update the original business plan of the NSC are underway.
Student Experience and attainment - Restrictions on operations adversely affect the student experience and attainment of students.	Plans for off campus operations were accelerated in March and alternative teaching arrangements were published prior to the closure of campus. Teaching and learning for semester 2 and 3 was transferred to fully online and alternative assessment arrangements carried out. Guidance for assessment boards was revised to include processes for extenuation to allow greater flexibility in decision making, ensuring students were not disadvantaged. All student facing services were moved online and significant support provided to the Students' Union and significant activity was undertaken to prepare the Student Welcome for 2020/21 to support and welcome students.
Staff morale - Working arrangements affect operational delivery of university activities.	To ensure staff felt informed and supported a refreshed communications style was implanted to highlight the strong culture of co-operation, teamwork, innovation and resilience of the university community. An additional four days of leave were provided during lockdown to give respite for staff and online wellbeing services continue to be promoted.
External political environment - The University's independence is threatened by political responses to the higher education funding crisis.	The University has enhanced its public affairs activity through regular participation in Universities Scotland meetings and Scottish Government and SFC sector meetings throughout the pandemic. The University will continue to engage in the SFC's review of coherent provision and sustainability of the sector.



CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT 2019-20

Overview

We are committed to achieving the highest possible standards of corporate governance relevant to the higher education sector. As part of this commitment, we report compliance against the principles of the Scottish Code of Good HE Governance (revised 2017).

The Board of Governors (Board) has overall responsibility for corporate governance at the University. On 5 November 2019, we presented the Robert Gordon University (Scotland) Order of Council 2019 to the Scottish Government, which allowed us to formally change its name to Robert Gordon University (formerly The Robert Gordon University).

The Board has established a number of key Standing Committees which have clear remits and are reviewed annually. All Committees are primarily composed of independent members of the Board, one of whom is the convener. The Board and Committees monitor the equality and diversity of its composition regularly. The Board also reviews its Statement of Primary Responsibilities annually and, together with a mapping document, provides reassurance on how these responsibilities are achieved.

The Board formally meets four times per year and also holds Board Strategy Workshops, which are attended by members of the University's Executive. The minutes of the meetings of the Board and meeting agendas are made available to the public, the staff, and the students through our website and intranet, unless they contain commercially sensitive or personal information.

As a matter of good practice, members of the Board also visit with academic schools and departments during the year, providing an opportunity to meet with staff and students across the University.

In May 2019, the Board held the inaugural Annual Public Event, where external stakeholders were invited to visit the campus and meet with Board members, key staff from across the University and students. On account of COVID-19, the next annual event for all stakeholders took place on 7 December 2020.

Board members are required to declare any relevant interests on appointment and this information is formally reviewed on an annual basis. Declarations of interest are made publicly available on our website. Individual Board members are also asked to declare any interests in relation to Board and Committee agenda business on a routine basis.

CORPORATE GOVERNANCE

Election of the Chair of Board, recruitment and inductions

The Board carried out its recruitment activity in 2019-20, when we held our first election for Chair of Board of Governors, in accordance with Higher Education Governance (Scotland) Act 2016. Following a recruitment process, which included targeted activities by an internal resourcing specialist. Eight applications were received (six male and two female). Following the shortlisting process and interviews, the election of the Chair of the Board of Governors took place on 24-28 February 2020, during which period an open elections husting event was held. On a turnout of 4.45%, the Vice-Chair Colin Hunter was elected Chair.

One of the candidates has subsequently joined as an external member to one of the Board Committees. In addition, two of the external members on the Board Committees joined the Board. The Board will be advertising for new members in Autumn 2020.

The Student Governors were elected by the student body, serving a one-year term of office.

The Board also includes two Governors nominated by Trade Unions, representing academic staff as well as professional and support staff. They were invited to shadow Board meetings before taking office on 1 January 2020.

All newly appointed Board members are provided a formal induction and encouraged to attend the AdvanceHE event New Governors of Scottish Institutions.

In 2019, an Advance HE course 'Diversifying Senior Recruitment' was delivered to ensure that all Governors received recent unconscious bias training. In line with best practice, we also offered places to colleagues from NESCol.

The University's solicitor, with two LLB placement students, delivered a Board training session on the Governors' Role as a Charitable Trustee. This session was supplemented by the development of a section in the Governors' Handbook on those duties.

Evaluation

The Board and its Standing Committees have an annual system of internal evaluation in place. Committee members rank the performance and effectiveness of each in accordance with its specific remit. The overall evaluation for 2019/20 for both the Board and its Standing Committees was positive.

During 2019/20 the Board considered a wide range of business including:

- approving the University's Outcome Agreement and monitoring its progress;
- approving the Business Plan, including measurement of key performance indicators, and Risk Register and monitoring the latter's progress;
- approving major proposals for strategic investment;

- approving the development of National Subsea Centre;
- reviewing the University's Remuneration Policy;
- overseeing the development of strategic partnerships with particular emphasis on NESCol;
- appointing a new Principal;
- developing a procedure for the appointment of Chancellor

As part of its normal business, the Board endorsed the annual report to the Scottish Funding Council on Institution-Led Review of Quality, the Annual Occupational Health and Safety Report, and the Student Union Annual Report and Budget, which includes compliance with the Code of Practice and the Education Act 1994. The Board also receives reports from each meeting of Academic Council as part of its routine business. This ensures Academic Council is effective in its duties, by monitoring its compliance with internal quality processes, and by reports of engagement with external quality processes and the Quality Assurance Agency.

Standing Committees

The Finance and General Purposes Committee advises the Board on policy, strategy and planning concerning all estates and financial matters and makes recommendations to the Board of Governors for approval of the annual budgets for income and expenditure. The committee also considers, oversees and provides guidance to the Board on a wide range of matters such as the annual Financial Statements and Financial Forecasts, the system of financial control and administration, the University's annual revenue and capital budgets, the finance and estates strategies, key performance indicators, and any material changes to financial limits and authorisations in the Financial Regulations.

The Governance and Nominations Committee was established by combining the Nominations Committee and the Working Group on Governance. This new committee provides a single forum for ensuring the Board of Governors and the University complies with all relevant governance frameworks, including the Scottish Code of Good Higher Education Governance, and makes recommendations for change where necessary. The committee consists of at least one, but not more than two members who are external to the University, as well as a staff and student governor. The committee advises the Board of Governors on the evaluation of the balance of skills, attributes, and experience required from membership of the governing body. As part of the requirements of the Scottish Code, the Board is required to draw up and make public such an evaluation.

The Remuneration Committee determines the remuneration of senior management (including the Principal and Vice-Chancellor of the University) in accordance with Board approved policy and processes. The membership of the Committee was revised in 2018/19, based on the new Scottish Code of Good Governance in Higher Education, to include both a Staff Governor and a Student Governor and increase the number of lay Governors from two to four. Decisions on the provision of pay increases are informed by a robust system of

CORPORATE GOVERNANCE

benchmarking and by monitoring individual performance against agreed objectives. The Committee is also responsible for ensuring that any severance payments to senior staff are in accordance with the overall University Severance Policy and guidance to the sector.

The Staff Governance Committee ensures we have a clear human resource strategy aligned with the overall University strategy and that it is appropriate, realistic and achievable. The committee also reviews and endorses the overall health and safety strategy and plan. It is the role of the committee to monitor the relevance of these strategies, their implementation and effectiveness and ensure all plans are responsive to the changing internal and external environment. During 2019-20, the Committee considered a wide range of associated business matters including the implementation of the human resource strategy; the outcome of Employee Survey; and occupational health and safety.

The Audit Committee fulfils a key role in reviewing the effectiveness of the financial and other internal control systems and advising the Board on its compliance with good governance requirements. The most recent report from the Audit Committee about the institution's adequacy and effectiveness of risk management, internal control, and governance included a 'generally satisfactory with some improvements required' opinion from the internal auditors. During 2019/20, the Committee considered a wide range of associated business matters including: approving the Internal Audit Plan for session 2019/20; internal audit reports provided by PWC in accordance with the annual plan; reviewing the Risk Register regularly throughout the year; recommending approval to the Board of the Annual Report and Financial Statements; reviewing the interim and final external audit reports; considering annual reports on related party undertakings, procurement and value for money; and considering visibility of the whistleblowing policy.

During 2019/20, the Board also established two short-term sub-committees as Appointment Committees, one for the appointment of the Lay Chair and the other for the appointment of the next Principal.

The attendance data for the Board of Governors, Standing Committees and Working Group on Governance meetings (1 August 2019 to 31 July 2020) is summarised in the following tables:

	Mr A Bannister, Independent Governor (from 1.1.20)	Ms M Buchan, Staff elected	Prof D Cairns, Academic Council elected	Ms A Campbell, Trade Union (from 1.1.20)	Ms M Clare, Independent Governor	Mr M Fleming, Independent Governor (until 31.3.20)
Board of Governors	4 meetings	2 of 2	4 of 4	4 of 4	4 of 4 (2 observing)	4 of 4
Audit Committee	4 meetings					
Finance & General Purposes Committee	4 meetings	2 of 2	4 of 4		3 of 4	2 of 3
Staff Governance Committee	2 meetings		1 of 1	2 of 2	1 of 1	2 of 2
Nominations Committee	1 meetings			0 of 1		1 of 1
Governance & Nominations Committee	1 meetings			1 of 1		
Remuneration Committee	2 meetings		2 of 2			2 of 2
Working Group on Governance	1 meetings					1 of 1
Board Strategy Workshop	1 meetings		1 of 1	1 of 1	1 of 1	1 of 1
Appointment of Chair of the Board	4 meetings			2 of 4	1 of 4	
Appointment of Principal	4 meetings		4 of 4			4 of 4

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		Ms K Gifford, Independent Governor	Mrs S Halkerton, Independent Governor	Prof J Harper, Principal (until 31.8.20)	Dr C Hunter, Chair of the Board	Mr H Little, Independent Governor (until 31.12.19)	Ms Maggie McGinlay, Independent Governor
Board of Governors	4 meetings	4 of 4	4 of 4	4 of 4	4 of 4	1 of 2	3 of 4
Audit Committee	4 meetings	2 of 2			2 of 2		
Finance & General Purposes Committee	4 meetings	3 of 4		4 of 4	2 of 3	2 of 2	
Staff Governance Committee	2 meetings		1 of 2	2 of 2	1 of 1		1 of 2
Nominations Committee	1 meetings			1 of 1			0 of 1
Governanace & Nominations Committee	1 meetings	1 of 1	1 of 1	1 of 1	1 of 1		
Remuneration Committee	2 meetings		2 of 2		1 of 1		2 of 2
Working Group on Governance	1 meetings		1 of 1	1 of 1		1 of 1	
Board Strategy Workshop	1 meetings	1 of 1	1 of 1	1 of 1	1 of 1	0 of 1	1 of 1
Appointment of Chair of the Board	4 meetings	4 of 4		4 of 4	1 of 1		
Appointment of Principal	4 meetings				3 of 4		4 of 4

		Prof Rita Marcella, Trade Union (from 1.1.20)	Mr K Milroy, Independent Governor	Mr P Murray, Independent Governor	Mr E Ogilvie- Brown, Staff elected (from March 2019)	Ms Z Ogilvie, Independent Governor
Board of Governors	4 meetings	3 of 3 (1 observing)	3 of 4	4 of 4	4 of 4	2 of 4
Audit Committee	4 meetings		3 of 4	2 of 2		1 of 2
Finance & General Purposes Committee	4 meetings			4 of 4		
Staff Governance Committee	2 meetings		2 of 2		2 of 2	1 of 2
Nominations Committee	1 meetings					0 of 1
Governanace & Nominations Committee	1 meetings	1 of 1				
Remuneration Committee	2 meetings		2 of 2			
Working Group on Governance	1 meetings					
Board Strategy Workshop	1 meetings		0 of 1	1 of 1	1 of 1	1 of 1
Appointment of Chair of the Board	4 meetings		2 of 2			3 of 4
Appointment of Principal	4 meetings				4 of 4	

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		Dr J Ogunyemi, Postgraduate Student Governor (from 1.8.19 - 31.7.20)	Ms C Pinas, Undergraduate Student Governor (from 1.8.19 - 31.7.20)	Mr R Ramshaw, Independent Governor (until 31.12.19)	Mr R Riddoch, Independent Governor	Ms T Walker, Independent Governor
Board of Governors	4 meetings	4 of 4	3 of 4	2 of 2	1 of 2	2 of 4
Audit Committee	4 meetings					1 of 4
Finance & General Purposes Committee	4 meetings	2 of 4	2 of 4	2 of 2	1 of 2	
Staff Governance Committee	2 meetings					
Nominations Committee	1 meetings		0 of 1			
Governanace & Nominations Committee	1 meetings	1 of 1				
Remuneration Committee	2 meetings	1 of 1	1 of 1	1 of 1		
Working Group on Governance	1 meetings			1 of 1		1 of 1
Board Strategy Workshop	1 meetings	1 of 1	1 of 1	1 of 1		0 of 1
Appointment of Chair of the Board	4 meetings	1 of 4		2 of 2		
Appointment of Principal	4 meetings		2 of 4			2 of 4

	Mr A Bannister (until 31.12.19)	Mr J Booth (until 31.7.20)	Ms S Hynd	Mr R Ramshaw (from 1.1.20)	Mr T Stevenson	Ms K Stewart
FGPC	4 meetings	2 of 2				
Audit Committee	4 meetings			3 of 4		3 of 4
Nominations Committee	1 meetings				1 of 1	
Governanace & Nominations Committee	1 meetings				0 of 1	
Remuneration Committee	2 meetings		1 of 2			

Conclusion

In the opinion of the Governing Body, the University complied with all the principles and provisions of the 2017 Scottish Code of Good Higher Education Governance through the year 2019-2020.

Overall, the Board is of the view that it has a robust set of governance arrangements and procedures to fulfil its responsibilities. The Board considers that we have adequate resources to continue in operational existence for the foreseeable future.

Signed

C Hunter,
Chair of the Board of Governors
23 February 2021

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PRIMARY RESPONSIBILITIES OF THE GOVERNING BODY

This Statement is based on the model statement formerly contained in the Governance Code of Practice, published by the Committee of University Chairmen, adapted to reflect the functions and duties that the Board derives from its Statutory Instrument. It takes account of the minimum priorities contained in the Scottish Code of Good Higher Education Governance (2017 edition).

The Board is our governing body. The Board has ultimate responsibility for the affairs of the University with the exception of academic standards, which are the responsibility of the Academic Council. The Board is responsible for reviewing the work of the University, taking such steps as necessary to ensure our strategic objectives are achieved. The objectives being:

- (a) to extend the reach and relevance of learners' opportunities to gain employment and thrive in their professional career;
- (b) to ensure a high-quality student experience;
- (c) to grow our globally recognised impactful research; and
- (d) to stimulate economic development and support organisations to be more successful

Consistent with the University's Statutory Instrument, the primary responsibilities of our Board are as follows:

- i. To oversee the University's activities, determine its mission and future direction, foster an environment in which the University's objectives are achieved and provide strategic input on all material policy or other matters affecting the University. This will include the approval and review of the University's long-term and strategic plans, including key performance indicators, and for ensuring that these meet the interests of the University's stakeholders. The Board will also approve an annual Business Plan and Risk Register, Budget, Financial Forecasts and Annual Report and Financial Statements for the University.
- ii. To ensure processes are in place to monitor and evaluate the performance and effectiveness of the University against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
- iii. To appoint new members of the Board of Governors.

- iv. To appoint a Principal and Vice-Chancellor as the Chief Academic and Executive Officer of the University and to put in place suitable arrangements for monitoring their performance.
- v. To appoint one or more Vice-Principal(s), a Secretary to the Board and other office holders to have such powers as the Board may see fit.
- vi. To appoint a Chancellor as the titular Head of the University.
- vii. To delegate authority to the Principal and Vice-Chancellor for the academic, corporate, financial, estate and personnel management of the University and to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the Principal and Vice-Chancellor
- viii. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls, risk management, means of evaluating the governing body's own performance and clear procedures for handling internal grievances and "whistleblowing" complaints and for managing conflicts of interest.
- ix. To establish processes to monitor and evaluate the performance and effectiveness of the Board of Governors itself.
- x. To conduct its business in accordance with best practice in higher-education corporate governance and with the Nine Principles of Public Life in Scotland drawn up by the Committee on Standards in Public Life, i.e. Duty, Selflessness, Integrity, Objectivity, Accountability and Stewardship, Openness, Honesty, Leadership and Respect.
- xi. To protect the reputation and values of the institution.
- xii. To employ staff and other contractors and regulate their employment.
- xiii. To set up within the University such Departments, Schools and other units of organisation and delegate to them such functions, duties and powers as it sees fit.
- xiv. To appoint and regulate Committees of the Governors, and where appropriate, others.
- xv. To make regulations, by-laws and standing orders for the exercise of the functions and duties of the Board acting on behalf of the University.
- xvi. To be the University's legal authority and, as such, ensure that systems are in place for meeting all the University's legal obligations, including those arising from contracts and other legal commitments made in the University's name.

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- xvii. To ensure, in conjunction with the Academic Council, the quality of the institution's educational provision and adequate provision for the general welfare of students.
- xviii. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University.
- xix. To ensure that the University's Statutory Instrument is followed at all times and that appropriate advice is available to enable this to happen.

Responsibility for financial matters

The Governing Body is responsible for keeping proper accounting records, which disclose, with reasonable accuracy, the financial position of the University at any time and enable it to ensure that the financial statements are prepared in accordance with the Statutes, the 2015 Statement of Recommended Practice (SORP): Accounting for Further and Higher Education and other relevant accounting standards, including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the Governing Body of Robert Gordon University 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 University and of the surplus or deficit, total comprehensive income, expenditure and cash flows for that year.

When preparing the Group and parent University financial statements, the Governing Body is required to:

- select suitable accounting policies and ensure these are applied consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent University, or to cease operations, or have no realistic alternative but to do so.

The Governing Body is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Robert Gordon University (“the University”) for the year ended 31 July 2020 which comprise the Consolidated and University Statements of Comprehensive Income and Expenditure, the Consolidated and University Statements of Change in Reserves, Consolidated & University Statement of Financial Position, the Consolidated Cash Flow Statement and the related notes, including the accounting policies in the Statement of Principal Accounting Policies and Estimation Techniques.

In our opinion the financial statements:

- give a true and fair view of the state of the Group’s and the University’s affairs as at 31 July 2020 and of the Group’s and the University’s income and expenditure, gains and losses and changes in reserves and of the Group’s cash flows for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- have been prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We have been appointed as auditor under section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report to you in accordance with the regulations made under that Act. We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law.

Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Governing Body has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the University or to cease their operations, and as they have concluded that the Group and the University’s financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements (“the going concern period”).

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Governing Body’s conclusions, we considered the inherent risks to the Group’s business model and analysed how those risks might affect the Group and the University’s financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor’s report is not a guarantee that the Group or the University will continue in operation.

Other information

The Governing Body for Robert Gordon University is responsible for the other information, which comprises all of the information in the Annual Report other than the financial statements and our audit opinion. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, expect as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. We are required to report to you if:

- based solely on that work, we have identified material misstatements in the other information; or
- in our opinion, the information given in the Strategic Report is inconsistent in any material respect with the financial statements.

We have nothing to report in these respects.

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Matters on which we are required to report by exception

Under the Charities Accounts (Scotland) Regulations 2006 (as amended) we are required to report to you if, in our opinion:

- the University has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records;
- or we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Governing Body for Robert Gordon University responsibilities

As explained more fully in their statement set out on pages 52 to 54, the Governing Body for Robert Gordon University is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent University'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 it either intends to liquidate the group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report.

Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/ auditors responsibilities

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

We are required under the terms of our engagement to report on the following matters. In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation and any other terms and conditions attached to them;
- funds provided by the Scottish Funding Council have been applied in accordance with the Financial Memorandum with Higher Education Institutions.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Governing Body for Robert Gordon University in accordance with paragraph 12 of the Universities (Scotland) Act 1966 and, in the Governing Body's role as charity trustees, in accordance with section 44(1)(c) of the Charity and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the Governing Body for Robert Gordon University those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Governing Body for Robert Gordon University for our audit work, for this report, or for the opinions we have formed.



David Derbyshire
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants 1 Marischal Square Broad Street
Aberdeen AB10 1DD
23 February 2021

KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

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STATEMENT OF PRINCIPAL ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES

1. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2019 and in accordance with Financial Reporting Standards (FRS102). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets and derivative financial instruments).

2. Basis of consolidation

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

The consolidated financial statements do not include the income and expenditure of Robert Gordon University Student Association as the University does not exert control or dominant influence over policy decisions. The RGU Foundation is not consolidated on the basis of its immateriality to the Group.

Associated companies and joint ventures are accounted for using the equity method.

The financial position of the University, including details of its long-term borrowing facilities, is set out in the financial review on pages 34 to 37. The financial statements have been prepared on a going concern basis.

At 31 July 2020, the University and its subsidiaries had cash and cash equivalents of £18.0m, short term liquid investments of £7.5m and long term listed investments of £21.3m. Within current asset investments and cash, £2.4m are restricted endowments. In the year ended 31 July 2020, the Group generated cash flows from operating activities of £5.6m.

The University has one long term bank facility of £32m for which no principal repayments are due before 2038. This bank loan agreement is subject to two principal financial covenants relating to net asset cover and cash flow cover. Other key obligations include current and deficit employer cash contributions to defined benefit pension schemes. The University has no capital commitments other than as disclosed in note 21.

The Board of Governors has prepared cash flow and covenant forecasts for the University and its subsidiaries for the period to 31 July 2022 which indicate that, taking account of reasonably possible downsides, the Group and University will have sufficient funds to meet their liabilities as they fall due for that period and achieve both bank financial covenants.

Forecasting risk principally relates to student numbers during the forecast period for entry dates in September 2021 and January 2022. In making their assessment the Board of Governors have considered a reasonably possible severe but plausible downside projection relating to this estimate. Under this downside projection the Group and University have sufficient funds to meet their liabilities and bank financial covenants during the forecast period, with significant headroom.

Consequently, the Board of Governors is confident that the University and its subsidiaries will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

3. Income recognition

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Tuition Fees

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Income and Comprehensive Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Grant funding

Grant funding including funding council block grant, research grants from government sources and grants (including research grants) from non-government sources are recognised as income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Donations and endowments

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised

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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 such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the University is entitled to the funds.

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

There are two main types of donations and endowments identified within reserves:

- a. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
- b. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Other income

Investment income is credited to the statement of income and expenditure on a receivable basis. 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.

Capital grants

Capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met.

4. Accounting for retirement benefits

Retirement benefits for employees of the university are provided by the Scottish Teachers' Pension Scheme (STPS) and the North East Scotland Pension Fund (NESPF). Both schemes are available to staff of more than one employer, are contracted out of the State Earnings-Related Pension Scheme, and the assets of the schemes are held separately from those of the university. The Funds are valued by actuaries, the rates of contributions being determined by the trustees on the advice of the actuaries.

The STPS scheme is a multi-employer defined benefit scheme, however, the university is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. Accordingly, contributions to this scheme are included in expenditure in the period in which they are payable.

In respect of NESPF, pension scheme assets are measured using market values. For quoted securities the current bid price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full.

Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Defined Benefit Plan

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The Group should recognise a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

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 are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement.

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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 denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at year end rates. Any resulting exchange differences are taken to the consolidated statement of comprehensive income and expenditure account in the year.

9. Fixed assets

Fixed assets are stated at deemed 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 the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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

Land and buildings

Land and buildings are stated at deemed cost at 1st August 2014 less accumulated depreciation and accumulated impairment losses.

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to re-valuation to deemed cost, are capitalised to the extent that they increase the expected future benefits to the University.

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

Freehold buildings are depreciated by component on a straight line basis over their expected useful lives. Leasehold buildings are depreciated over the life of the lease up to a maximum of 50 years. No depreciation is charged on assets in the course of construction.

Equipment

Equipment, including computers and software, costing less than a £10,000 per item or group of related items is recognised as expenditure. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life of between 3 and 10 years.

Fixtures and Fittings

Fixtures and fittings are stated at purchase cost together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of fixtures and fittings on a straight line basis over the expected useful economic lives of the assets concerned. The principal expected useful lives for this purpose are between 5 and 15 years.

Borrowing costs

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

10. Intangible assets and Goodwill

Intangible assets (computer software) are amortised over period not exceeding 5 years representing the remaining estimated economic life of the assets.

The University currently has no recognised goodwill or negative goodwill.

11. Investment Properties

The University does not have any properties that are considered investment properties.

12. Investments

Non-current asset listed investments are held on the balance sheet at market value with movements taken to the consolidated statement of comprehensive income and expenditure.

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Investments in subsidiaries and spinouts are carried at cost less impairment in the University's accounts. Current asset investments are held at fair value with movements recognised in the Surplus or Deficit.

13. Stock

Stock is held at the lower of cost and net realisable value.

14. Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. 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 with insignificant risk of change in value.

15. Provisions, contingent liabilities and contingent assets Provisions for restructuring

Provision is made for the estimated costs which will be incurred as a result of decisions made by the Governing Body concerning premature retirement which create a legal or constructive obligation before the balance sheet date.

An annual contribution representing interest is credited to the provision and the costs of enhanced pensions are charged against the provision which is revalued actuarially on an annual basis.

Provisions - general

- (a) Provisions are recognised in the financial statements when: 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.

Contingent liabilities and contingent assets

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 in the notes.

16. Reserves

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

Statement of Principal Accounting Policies and Estimation Techniques (continued)

17. Taxation

The University is an exempt Charity within the meaning of the Trustee Investment and Charities (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

The University receives no similar 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 liable to Corporation Tax in the same way as any other commercial organisation.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates

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expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are more likely than not to be recovered. Deferred tax assets and liabilities are not discounted.

18. Financial Instruments Basic financial instruments

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Other financial instruments

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except hedging instruments in a designated hedging relationship.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively, when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

19. Judgments and estimation techniques

No new critical judgments have been required in the preparation of the financial statements. In prior periods, judgment has been required in the evaluation of the Scottish Teachers' Pension Scheme as a multi-employer scheme (note 29) and in the classification of finance and operating leases.

The preparation of the financial statements requires management to make estimations that affect the financial statements during the reporting period. Actual results could differ from those estimates. Estimates are principally used when accounting for defined benefit pension schemes and when evaluating the carrying value and depreciation of tangible fixed assets. Details of the estimates used are set out in the relevant accounting policy and financial statement note.

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Consolidated & University Statement of Comprehensive Income and Expenditure

For the year ended 31 July 2020

	2020		2019		
	Notes	Group £'000	University £'000	Group £'000	University £'000
Income					
Tuition fees and education contracts	1	34,926	34,792	31,978	31,699
Funding body grants	2	45,142	45,142	44,542	44,542
Research grants and contracts	3	2,865	2,865	3,092	3,092
Other income	4	8,369	8,477	10,575	10,757
Investment income	5	342	350	397	396
Donations and endowments	6	1,209	1,209	1,359	1,359
Total income		92,853	92,835	91,943	91,845
Expenditure					
Staff costs	7	65,073	65,073	62,305	62,305
Restructuring costs	7	368	368	0	0
Other operating expenses	9	25,937	25,919	28,917	28,826
Depreciation and amortisation	12/13	7,962	7,962	7,370	7,370
Interest and other finance costs	8	2,120	2,120	1,486	1,486
Total expenditure	10	101,460	101,442	100,078	99,987
Deficit before other gains and losses		(8,607)	(8,607)	(8,135)	(8,142)
Loss on disposal of fixed assets		(182)	(182)	(5)	(5)
Loss on write off of fixed assets	12	(988)	(988)	0	0
Gain on endowment investments	20	131	131	136	136
Gain on non-current investments	14	1,331	1,331	1,355	1,355
Other losses		0	0	0	0
Deficit before tax		(8,315)	(8,315)	(6,649)	(6,656)
Taxation	11	(6)	(6)	(11)	(4)
Deficit for the year		(8,321)	(8,321)	(6,660)	(6,660)
Actuarial loss in respect of pension schemes	29	(11,407)	(11,407)	(29,067)	(29,067)
Total comprehensive expenditure for the year		(19,728)	(19,728)	(35,727)	(35,727)
Represented by:					
Endowment comprehensive income for the year		115	115	160	160
Unrestricted comprehensive expenditure for the year		(19,843)	(19,843)	(35,887)	(35,887)
		(19,728)	(19,728)	(35,727)	(35,727)

All items of income and expenditure relate to continuing activities and are attributable to the University.

The notes on pages 74 to 88 form an integral part of these financial statements.

Consolidated & University Statement of Changes in Reserves

For the year ended 31 July 2020

Group	Income and Expenditure Account		
	Endowment Reserves £'000	Unrestricted Reserves £'000	Total £'000
Balance at 1 August 2018	2,150	189,354	191,504
Deficit from the income and expenditure statement	160	(6,820)	(6,660)
Other comprehensive expenditure	0	(29,067)	(29,067)
Total comprehensive expenditure for the year	160	(35,887)	(35,727)
Balance at 1 August 2019	2,310	153,467	155,777
Deficit from the income and expenditure statement	115	(8,436)	(8,321)
Other comprehensive expenditure	0	(11,407)	(11,407)
Total comprehensive expenditure for the year	115	(19,843)	(19,728)
Balance at 31 July 2020	2,425	133,624	136,049
 University Income and Expenditure Account			
Endowment Reserves £'000	Unrestricted Reserves £'000	Total £'000	
Balance at 1 August 2018	2,150	189,237	191,387
Deficit from the income and expenditure statement	160	(6,820)	(6,660)
Other comprehensive expenditure	0	(29,067)	(29,067)
Total comprehensive expenditure for the year	160	(35,887)	(35,727)
Balance at 1 August 2019	2,310	153,350	155,660
Deficit from the income and expenditure statement	115	(8,436)	(8,321)
Other comprehensive expenditure	0	(11,407)	(11,407)
Total comprehensive expenditure for the year	115	(19,843)	(19,728)
Balance at 31 July 2020	2,425	133,507	135,932

The notes on pages 74 to 88 form an integral part of these financial statements.

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Consolidated & University Statement of Financial Position

For the year ended 31 July 2020

	Notes	2020		2019	
		Group £'000	University £'000	Group £'000	University £'000
Non-current assets					
Fixed assets	12	206,396	206,396	213,024	213,024
Intangible assets	13	3,133	3,133	3,092	3,092
Investments	14	21,254	21,354	19,846	19,946
		230,783	230,883	235,962	236,062
Current assets					
Stock		25	25	13	13
Trade and other receivables	15	6,613	7,165	6,495	6,980
Investments	16	7,457	7,457	7,273	7,273
Cash and cash equivalents	23	18,008	17,194	11,842	10,887
		32,103	31,841	25,623	25,153
Less: Creditors: amounts falling due within one year	17	(17,011)	(16,966)	(16,470)	(16,217)
Net current assets		15,092	14,875	9,153	8,936
Total assets less current liabilities		245,875	245,758	245,115	244,998
Creditors: amounts falling due after more than one year	18	(37,435)	(37,435)	(34,043)	(34,043)
Provision for liabilities					
Premature retirement compensation	19a	(7,551)	(7,551)	(7,877)	(7,877)
Pension scheme liability	19b	(64,840)	(64,840)	(47,418)	(47,418)
Total net assets		136,049	135,932	155,777	155,660

	Notes	2020		2019	
		Group £'000	University £'000	Group £'000	University £'000
Restricted Reserves					
Endowment reserve	20	2,425	2,425	2,310	2,310
Unrestricted Reserves					
Income and expenditure reserve		133,624	133,507	153,467	153,350
Total reserves		136,049	135,932	155,777	155,660

The notes on pages 74 to 88 form an integral part of these financial statements.

The financial statements were approved by the Governing Body on the 23rd February 2021 and were signed on its behalf on that date by:

C Hunter
Chair of the Board of Governors

M D McCall
Director of Finance

S Olivier
Principal and Vice Chancellor

Consolidated Statement of Cash Flows

For the year ended 31 July 2020

	Notes	2020		2019	
		Group £'000	Group £'000	Group £'000	Group £'000
Cash flow from operating activities					
Deficit for the year				(8,321)	(6,660)
Adjustment for non-cash items					
Depreciation and amortisation	12/13			7,962	7,370
Loss on write off of fixed assets	12			988	0
(Increase)/decrease in stock				(12)	4
Increase in debtors	15			(118)	(1,100)
Increase in creditors < 1 year	17			93	1,356
Decrease in creditors > 1 year	18			(156)	(139)
(Decrease)/increase in early retirement provision	19a			(326)	502
Pension costs less contributions payable	19b			6,015	3,680
Adjustment for investing or financing activities					
Investment income	5			(342)	(397)
Interest paid	8			1,126	1,122
New endowments	20			(36)	(112)
Gain in non-current investments	14			(1,331)	(1,355)
Increase in current asset investments	16			(133)	(146)
Loss on disposal of fixed assets				182	5
Net cash inflow from operating activities				5,591	4,130
Cash flows from investing activities					
Proceeds from sales of fixed assets				273	12
Payments made to acquire fixed assets	12			(1,161)	(2,155)
Payments made to acquire intangible assets	13			(962)	(1,095)
Additions of non-current asset investments	14			(77)	(85)
Placing of deposits	16			(51)	(49)
Investment income	5			342	397
Net cash outflow from investing activities				(1,636)	(2,975)
Cash flows from financing activities					
Interest paid	8			(1,126)	(1,122)
Capital element of finance lease	18			(154)	0
Capital element of loan repayments	18			(156)	(9)
New unsecured loans	18			3,611	450
New endowments	20			36	112
Net cash inflow/(outflow) from financing activities				2,211	(569)
Increase in cash and cash equivalents for the year				6,166	586
Cash and cash equivalents at beginning of the year	23			11,842	11,256
Cash and cash equivalents at end of the year	23			18,008	11,842

The notes on pages 74 to 88 form an integral part of these financial statements.

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Notes to the Accounts

For the year ended 31 July 2020

1. Tuition Fees and Education Contracts

	2020		2019	
	Group £'000	University £'000	Group £'000	University £'000
Scotland home domicile fees	16,618	16,605	15,522	15,499
EU domicile fees	2,269	2,269	2,180	2,180
RUK domicile fees	1,841	1,841	2,120	2,120
Non-EU domicile fees	13,545	13,545	11,251	11,230
Non-credit bearing course fees	653	532	905	670
	34,926	34,792	31,978	31,699

2. Funding Body Grants

General Fund - Teaching	34,686	34,686	34,170	34,170
General Fund - Research	2,057	2,057	2,281	2,281
Ring fenced grants Scottish Government	7,057	7,057	6,836	6,836
Strategic funding	472	472	328	328
Capital maintenance grants	870	870	927	927
	45,142	45,142	44,542	44,542

3. Research Grants and Contracts

Research Councils	583	583	444	444
UK based charities	129	129	129	129
European Commission	373	373	333	333
UK Government	698	698	559	559
Other grants and contracts	1,082	1,082	1,627	1,627
	2,865	2,865	3,092	3,092

4. Other Income

Residences & Catering	3,827	3,827	5,402	5,402
Other services rendered	2,421	2,410	3,335	3,319
Other income	2,121	2,240	1,838	2,036
	8,369	8,477	10,575	10,757

5. Investment Income

Investment income on endowments	19	19	26	26
Other investment income	323	331	371	370
	342	350	397	396

6. Donations and Endowments

Unrestricted donations	1,209	1,209	1,359	1,359
	1,209	1,209	1,359	1,359

7. Staff Costs

Salaries	46,106	46,106	46,323	46,323
Social security costs	4,773	4,773	4,754	4,754
Employers pension contributions	9,261	9,261	7,998	7,998
Pension cost less contributions payable	4,363	4,363	2,058	2,058
Past service costs	549	549	1,172	1,172
Curtailments	21	21	0	0
Restructuring costs	368	368	0	0
	65,441	65,441	62,305	62,305

Notes to the Accounts (continued)

For the year ended 31 July 2020

7. Staff Costs (continued)

	2020		2019	
	Group £'000	University £'000	Group £'000	University £'000
Analysis of staff costs by activity:				
Academic - Teaching departments	37,435	37,435	36,647	36,647
Academic - Teaching services	6,604	6,604	5,885	5,885
Research grants and contracts	1,676	1,676	1,462	1,462
Administration and central services	9,603	9,603	9,881	9,881
Premises	2,822	2,822	2,836	2,836
Catering and residences	743	743	826	826
Other services rendered	1,559	1,559	1,554	1,554
Other expenditure	4,631	4,631	3,214	3,214
Sub Total	65,073	65,073	62,305	62,305
Restructuring costs	368	368	0	0
Total	65,441	65,441	62,305	62,305
Average staff numbers by category:				
Academic - Teaching departments	649		654	
Academic - Teaching services	135		136	
Research grants and contracts	39		27	
Administration and central services	177		183	
Premises	91		102	
Catering and residences	28		27	
Other services rendered	54		51	
	1,173		1,180	
Remuneration of the Principal:				
Salary	218,046		196,350	
Benefits in kind	6,913		6,103	
Pension contributions	0		27,632	
Total	224,959		230,085	

The remuneration of the Principal, comprising salary, benefits in kind & pension contribution is 5.43 times (2019: 6.21 times) the median remuneration of all other staff.

Remuneration of other higher paid staff, excluding employer's pension contributions, were:

	No.	No.
£100,000 - £109,999	1	4
£110,000 - £119,999	1	0
£120,000 - £129,999	0	2
£130,000 - £139,999	1	0
£140,000 - £149,999	0	1
£150,000 - £159,999	1	0
£200,000 - £209,999	0	1
£220,000 - £229,999	1	0
	5	8

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the University. This comprises members of the Principal's Executive. Total remuneration for the year ended 31 July 2020 (including employers pension contributions) was £802k (2019: £850k)

Compensation for loss of office

No compensation for loss of office was paid to post-holders earning over £100,000 per annum was paid during 2019/20. No individual restructuring plan resulted in costs of compensation for loss of office or severance totalling more than £100,000. In the previous financial year a contractual compensation for loss of office payment of £40,099 was made to one individual.

Remuneration of Governing body

The Chair of the Board of Governors received remuneration of £4k (2019:None) from the University for acting as a board member.

FINANCIAL STATEMENTS

Notes to the Accounts (continued)

For the year ended 31 July 2020

8. Interest & Other Finance Costs

	2020		2019	
	Group £'000	University £'000	Group £'000	University £'000
Loan interest	1,126	1,126	1,122	1,122
Net charge on pension scheme	994	994	364	364
	2,120	2,120	1,486	1,486

9. Other Operating Expenses by Activity

	2020		2019	
	Group £'000	University £'000	Group £'000	University £'000
Academic - Teaching departments	5,441	5,343	5,651	5,569
Academic - Teaching services	3,949	3,949	3,734	3,734
Research grants and contracts	1,027	1,027	1,185	1,185
Administration & central services	4,338	4,325	4,566	4,557
Premises	4,207	4,207	5,186	5,186
Catering and residences	3,549	3,549	4,473	4,473
Other services rendered	1,744	1,843	2,432	2,432
Other expenditure	1,682	1,676	1,690	1,690
	25,937	25,919	28,917	28,826

Other operating expenses include:

Auditor's remuneration (ex vat):				
External Audit - audit services	57	51	56	51
External Audit - non-audit services	20	20	99	99
Internal Audit - audit services	60	60	45	45
Provision for premature retirement compensation	237	237	1,067	1,067
Agency staff costs	241	241	302	302
Grants to Student Association	493	493	493	493

Non-audit services paid by the Group to the external auditors in the current year comprise £Nil (2019: £7k) for other assurance services and £15k (2019: £92k) for tax compliance and advisory services.

10. Total Group Expenditure

	Staff Costs £'000	Operating Expenses £'000	Dep'n Charge £'000	Interest Payable £'000	Year Ended 31 July 2020 £'000	Year Ended 31 July 2019 £'000
Academic - Teaching departments	37,435	5,441	643	1,043	44,562	43,851
Academic - Teaching services	6,604	3,949	1,639	0	12,192	10,869
Research grants and contracts	1,676	1,027	0	0	2,703	2,696
Administration & central services	9,603	4,338	296	0	14,237	14,656
Premises	2,822	4,207	4,449	0	11,478	12,508
Catering and residences	743	3,549	646	0	4,938	5,799
Other services rendered	1,559	1,744	289	79	3,671	4,431
Other expenditure	4,631	1,682	0	998	7,311	5,268
Restructuring costs	368	0	0	0	368	0
	65,441	25,937	7,962	2,120	101,460	100,078

11. Taxation

	2020		2019	
	Group £'000	University £'000	Group £'000	University £'000
Current tax				
Withholding tax	6	6	11	4
	6	6	11	4

Deferred taxation

The Group or University does not have any deferred taxation balances.

Notes to the Accounts (continued)

For the year ended 31 July 2020

12. Fixed Assets

Group	Land and Buildings £'000	Fixtures, Fittings and Equipment £'000	Assets in the Course of Construction £'000	Total £'000
Cost or valuation				
At 1 August 2019	230,712	30,499	1,344	262,555
Additions	0	1,742	114	1,856
Write offs	0	0	(988)	(988)
Transfers between categories	0	356	(356)	0
Disposals	(495)	(120)	0	(615)
At 31 July 2020	230,217	32,477	114	262,808
Consisting of valuation as at:				
31 July 2014	216,135	0	0	216,135
Cost	14,082	32,477	114	46,673
At 31 July 2020	230,217	32,477	114	262,808
Depreciation				
At 1 August 2019	24,668	24,863	0	49,531
Charge for the year	5,055	1,986	0	7,041
Disposals	(41)	(119)	0	(160)
At 31 July 2020	29,682	26,730	0	56,412
Net book value at 31 July 2020	200,535	5,747	114	206,396
Net book value at 31 July 2019	206,044	5,636	1,344	213,024

University	Land and Buildings £'000	Fixtures, Fittings and Equipment £'000	Assets in the Course of Construction £'000	Total £'000
Cost or valuation				
At 1 August 2019	230,712	30,499	1,344	262,555
Additions	0	1,742	114	1,856
Write offs	0	0	(988)	(988)
Transfers between categories	0	356	(356)	0
Disposals	(495)	(120)	0	(615)
At 31 July 2020	230,217	32,477	114	262,808
Consisting of valuation as at:				
31 July 2014	216,135	0	0	216,135
Cost	14,082	32,477	114	46,673
At 31 July 2020	230,217	32,477	114	262,808
Depreciation				
At 1 August 2019	24,668	24,863	0	49,531
Charge for the year	5,055	1,986	0	7,041
Disposals	(41)	(119)	0	(160)
At 31 July 2020	29,682	26,730	0	56,412
Net book value at 31 July 2020	200,535	5,747	114	206,396
Net book value at 31 July 2019	206,044	5,636	1,344	213,024

FINANCIAL STATEMENTS

For the year ended 31 July 2020

12. Fixed Assets (continued)		Land and Buildings	Fixtures, Fittings and Equipment	Assets in the Course of Construction	Total
		£'000	£'000	£'000	£'000
Leased out assets included above:					
Net Book Value at 31 July 2020		6,527	0	0	6,527
Net Book Value at 31 July 2019		6,764	0	0	6,764
Assets held under finance leases:					
Net Book Value at 31 July 2020		0	619	0	619
Net Book Value at 31 July 2019		0	0	0	0
A full valuation of the University's land and buildings was carried out on 31 July 2014 by F.G Burnett, Chartered Surveyors, Aberdeen. The basis of valuation is depreciated replacement cost or (for non-specialised properties) market value, as set out in the Royal Institute of Chartered Valuation - Professional Standards (January 2014). The valuation is used as deemed cost as at and from 31 July 2014.					
13. Intangible Assets		Group	University		
		£'000	£'000		
Computer Software					
Cost	At 1 August 2019	7,011	7,011		
Additions		962	962		
Disposals		(191)	(191)		
	At 31 July 2020	7,782	7,782		
Amortisation	At 1 August 2019	3,919	3,919		
Amortisation for year		921	921		
Disposals		(191)	(191)		
	At 31 July 2020	4,649	4,649		
Net book value At 31 July 2020		3,133	3,133		
Net book value	At 31 July 2019	3,092	3,092		
14. Non-Current Investments		Subsidiary	Listed	Spinouts	Total
		£'000	£'000	£'000	£'000
Group					
At 1 August 2019		0	19,751	95	19,846
Additions		0	69	8	77
Disposals		0	0	0	0
Investment gains		0	1,331	0	1,331
At 31 July 2020		0	21,151	103	21,254
University					
At 1 August 2019		100	19,751	95	19,946
Additions		0	69	8	77
Disposals		0	0	0	0
Investment gains		0	1,331	0	1,331
At 31 July 2020		100	21,151	103	21,354

Notes to the Accounts (continued)

For the year ended 31 July 2020

14. Non-Current Investments (continued)	2020		2019	
	Group	University	Group	University
£'000	£'000	£'000	£'000	£'000
Investments in spinout companies:				
CVCP Properties PLC	29	29	29	29
Celerum Ltd	74	74	66	66
	103	103	95	95

15. Trade and Other Receivables

Amounts falling due within one year:				
Trade receivables	1,179	1,122	1,049	820
Debts from students	1,145	1,145	685	685
Prepayments and accrued income	4,289	4,286	4,761	4,758
Amounts owed by group undertakings	0	612	0	717
	6,613	7,165	6,495	6,980

16. Current Investments

Equities	1,480	1,480	1,363	1,363
Fixed interest stocks	772	772	756	756
Bank deposits	5,205	5,205	5,154	5,154
	7,457	7,457	7,273	7,273

17. Creditors: Amounts Due Within One Year

Unsecured loans (Note 18a)	345	345	129	129
Obligations under finance leases (Note 18b)	232	232	0	0
Social security and taxation payable	2,536	2,536	2,310	2,310
Trade payables	767	767	1,544	1,544
Other creditors and accruals	5,199	5,196	5,939	5,938
Deferred income	7,932	7,890	6,548	6,296
	17,011	16,966	16,470	16,217

Deferred Income

Included within deferred income are the following items of non-exchange transaction income which have been deferred until specific performance related conditions have been met.				
Donations	161	161	113	113
Research grants received on account	1,183	1,183	1,005	1,005
Grant income	404	404	701	701
	1,748	1,748	1,819	1,819

FINANCIAL STATEMENTS

Notes to the Accounts (continued)

For the year ended 31 July 2020

18. Creditors: Due After More Than One Year

	2020		2019	
	Group £'000	University £'000	Group £'000	University £'000
Unsecured loans (Note 18a)	35,947	35,947	32,708	32,708
Obligations under finance leases (Note 18b)	309	309	0	0
Other creditors	1,179	1,179	1,335	1,335
	37,435	37,435	34,043	34,043

Bank loans and finance leases are repayable as follows:

a) Analysis of unsecured loans:

Due within one year (Note 17)	345	345	129	129
Due between one and two years	345	345	129	129
Due between two and five years	945	945	354	354
Due in five years or more	34,657	34,657	32,225	32,225
	36,292	36,292	32,837	32,837

b) Analysis of obligations under finance leases:

Due within one year (Note 17)	232	232	0	0
Due between one and two years	309	309	0	0
	541	541	0	0
Total bank loans and finance leases	36,833	36,833	32,837	32,837

Details of unsecured loans repayable in more than one year are as follows:

£394k SFC carbon reduction interest free loan repayable over 5 years by February 2024

£450k SFC financial transactions loan with interest at 0.25% repayable over 10 years by March 2029

£2,111k SFC energy efficiency loan with interest at 0.25% repayable over 15 years by March 2035

£1,500k SFC Gray's Annex replacement loan with interest at 0.25% repayable over 20 years by March 2040

£16.0m 20 year private placement with interest at 3.44% repayable in full on 19th June 2038

£16.0m 30 year private placement with interest at 3.57% repayable in full on 19th June 2048

19. Provision For Liabilities

	2020		2019	
	Group £'000	University £'000	Group £'000	University £'000
a) Premature Retirement Compensation				
At 1 August	7,877	7,877	7,375	7,375
Expenditure in period	(503)	(503)	(506)	(506)
Revaluation adjustment	192	192	1,022	1,022
Notional interest	(15)	(15)	(14)	(14)
At 31 July	7,551	7,551	7,877	7,877

A valuation of the pension provision was carried out by Mercer Limited, an independent firm of actuaries, at 31 July 2020.

The valuation was based on a discount rate of 2.0% and an inflation rate (CPI) of 2.2%.

b) North East Scotland Pension Fund

At 1 August	47,418	47,418	14,671	14,671
Net interest cost	994	994	364	364
Administration expenses	88	88	86	86
Remeasurements	11,407	11,407	29,067	29,067
Past service cost	549	549	1,172	1,172
Curtailments	21	21	0	0
Current service cost less contributions paid	4,363	4,363	2,058	2,058
At 31 July	64,840	64,840	47,418	47,418

Notes to the Accounts (continued)

For the year ended 31 July 2020

20. Endowment Reserves

Group & University	Permanent Endowments £'000	Expendable Endowments £'000	2020 Total £'000	2019 Total £'000
	2,259	51	2,310	2,150
At 1 August				
New endowments	5	31	36	112
Investment income	19	0	19	26
Expenditure for year	(34)	(37)	(71)	(114)
Increase in market value	131	0	131	136
At 31 July	2,380	45	2,425	2,310
Analysis by asset:				
Current asset investments			2,252	2,119
Cash			173	191
			2,425	2,310

21. Capital And Other Commitments

	2020	2019		
	Committed £'000	Contracted £'000	Committed £'000	Contracted £'000
Committed and contracted expenditure remaining at end of year.				
Major construction works	1,400	27	0	0
Other works	2,170	420	173	56
	3,570	447	173	56

Contracted expenditure represents orders raised whilst committed expenditure represents the balance of expenditure required to complete the projects.

22. Operating Lease Commitments

Group & University	Land and Buildings £'000	Plant and Machinery £'000	2020 Total £'000	2019 Total £'000
	957	106	1,063	983
Amounts paid during the year				
Future minimum lease payments due:				
Not later than 1 year	1,275	69	1,344	1,002
Later than 1 year & not later than 5 years	5,045	52	5,097	3,887
Later than 5 years	2,297	0	2,297	3,290
Total lease payments due	8,617	121	8,738	8,179

FINANCIAL STATEMENTS

Notes to the Accounts (continued)

For the year ended 31 July 2020

23. Cash And Cash Equivalents

Group	At 1st August 2019 £'000	Cash Flows £'000	At 31st July	
			2020 £'000	2019 £'000
Cash at bank and in hand	11,651	6,184	17,835	
Endowment assets	191	(18)	173	
	11,842	6,166	18,008	
University				
Cash at bank and in hand	10,696	6,325	17,021	
Endowment assets	191	(18)	173	
	10,887	6,307	17,194	

24. Consolidated Reconciliation of Net Debt

	At 31st July		At 31st July	
	2020		2019	
	£'000	£'000	£'000	£'000
Net debt 1 August	20,995		21,140	
Movement in cash and cash equivalents	(6,166)		(586)	
Capital element of finance lease repayments	(154)		0	
Capital element of unsecured loan repayments	(156)		(9)	
New finance leases	695		0	
New unsecured loans	3,611		450	
Net debt 31 July	18,825		20,995	
Change in net debt	(2,170)		(145)	
Analysis of net debt:				
At 31st July				
2020		2019		
£'000		£'000		
Cash and cash equivalents	18,008		11,842	
Borrowings: amounts falling due within one year				
Unsecured loans	345		129	
Obligations under finance leases	232		0	
	577		129	
Borrowings: amounts falling due after more than one year				
Unsecured loans	35,947		32,708	
Obligations under finance leases	309		0	
	36,256		32,708	
Net Debt	18,825		20,995	

Notes to the Accounts (continued)

For the year ended 31 July 2020

25. Amounts Disbursed As Agent

Group & University	Discretionary Fund £'000	Childcare Fund £'000	Nursing Fund £'000	Covid Fund £'000	2020	2019
					Total £'000	Total £'000
Balance brought forward	0	0	0	0	0	0
Allocation received in the year	479	170	50	83	782	651
Expenditure for year	(526)	(94)	(50)	(43)	(713)	(651)
Virements	58	(58)	0	0	0	0
Repaid to funding body	0	0	0	0	0	0
Balance brought forward	11	18	0	40	69	0

26. Disclosure Of Related Party Transactions

The consolidated financial statements consolidate the financial statements of Univation Limited and its non-trading subsidiaries (note 26). The related party transactions with these entities, because they are 100% owned, have not been disclosed (in accordance with FRS 8).

Due to the nature of the University's operations and the composition of the Governing Body (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Governing Body may have an interest. All transactions involving organisations in which a member of the Governing Body may have an interest are conducted at arm's length and in accordance with the University's financial regulations and procurement procedures.

During the year, the University recognised donations of £694k (2019: £841k) from The Wood Foundation, of which £111k (2019: £257k) was receivable at 31 July 2020. During the year the University received £777k (2019: £79k) from the Oil and Gas Technology Centre and £6k (2019: £72k) from ONE Digital and Entrepreneurship Limited.

27. Subsidiary Undertakings

The university owns 100% of the issued share capital of 100,000 £1 ordinary shares of Univation Limited a company registered in Scotland, whose principal activities are the provision of short courses, training and consultancy services in engineering, management, health and design.

Univation Limited owns 100% of the share capital of each of The Robert Gordon University - The Energy University Limited, The Aberdeen Business School Limited and The Aberdeen Management Centre Limited. All are dormant companies, registered in Scotland. The university has control over the RGU Foundation, a charity registered in Scotland.

28. Financial Instruments

a) Risk management

The University operates a centralised treasury management function which is responsible for managing credit, liquidity, foreign currency and interest risk. These financial risks are managed within the parameters specified in an approved treasury management policy.

The University's principal financial instruments are cash, investments and loans. The core objective of these financial instruments is to meet the financing needs of the University's operations. Additionally, the University has other financial assets and liabilities arising directly from its operations i.e. trade debtors and creditors.

FINANCIAL STATEMENTS

Notes to the Accounts (continued)

For the year ended 31 July 2020

28. Financial Instruments (continued)

b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the University.

The University's credit risk arises from bank balances, investments, student debtors and commercial organisations as customers. Management of credit risk is a prime objective of the Treasury Management Policy. At 31 July 2020, the maximum exposure is represented by the carrying value of each financial asset in the balance sheet.

The credit risk of liquid funds and financial instruments is limited because the counterparties are banks with investment grade credit ratings assigned by international credit-rating agencies. The University's exposure and the credit ratings of its counterparties are monitored regularly. The credit exposure is limited by counterparty limits and minimum counter party credit ratings set within the treasury management policy.

Student and commercial debtors are reviewed on an ongoing basis and a bad debt provision is made if recovery becomes uncertain. If a debtor is deemed irrecoverable it is written off. The concentration of risk is limited due to a large number of diverse customers across both students and commercial customer populations.

c) Foreign currency risk

Foreign currency risk refers to the risk that unfavourable movement in exchange rates may cause financial loss to the University. The University has no significant foreign currency exposures.

d) Interest rate risk

Interest rate risk refers to the likelihood that changes in interest rates will result in fluctuations in the value of balance sheet items (i.e. price risk) or changes in interest income or expenses (i.e. re-investments risk).

The University's main financing relates to two private placements of £16m each, repayable on the 19th June 2038 and the 19th June 2048. The 20 year placement is at an interest rate of 3.44 % and the 30 year placement at a rate of 3.57%. The interest rates are fixed with no re-pricing risk attached.

e) Hedge accounting

The University holds no hedging financial instruments.

f) Liquidity risk

Liquidity risk refers to the risk that the University will not be able to meet its financial obligations as they fall due. Regular monitoring of liquidity risk is an essential feature of treasury management activities. Cash flow forecasts form part of the University planning process and are revised during the financial year with re-forecasts made as required. The University policy is to maintain an average operating cash balance of £5m.

g) Financial assets and liabilities

	2020		2019	
	Group £'000	University £'000	Group £'000	University £'000
The carrying value of financial assets and liabilities comprise:				
Assets measured at fair value through profit or loss				
- Non-current investments (note 14)	21,151	21,151	19,751	19,751
- Current asset investments (note 16)	7,457	7,457	7,273	7,273
- Cash (note 23)	18,008	17,194	11,842	10,887
Assets measured at cost less impairment (note 15)	6,613	7,165	6,495	6,980
Liabilities (excluding loans) measured at amortised cost (note 17)	5,966	5,963	7,483	7,482
Loan commitments measured at cost less impairment (note 18)				
- Loans	36,292	36,292	32,837	32,837
- Finance lease obligations	541	541	0	0

Notes to the Accounts (continued)

For the year ended 31 July 2020

29. Pension Schemes

1) Scottish Teachers' Pension Scheme

Robert Gordon University participates in the Scottish Teachers' Pension Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016. This valuation informed an increase in the employer contribution rate from 17.2% to 23.0% of pensionable pay from September 2019 and an anticipated yield of 9.4% employees contributions.

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

The scheme is an unfunded multi-employer defined benefit scheme. It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where Robert Gordon University is unable to identify its share of the underlying assets and liabilities of the scheme.

The employer contribution rate for the period from 1 April 2019 is 17.2% increasing from 1 September 2019 to 23% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay.

While a valuation was carried out as at 31 March 2016, it is not possible to say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government pending the decision from the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that held that the transitional protections provided as part of the 2015 reforms was unlawful discrimination on the grounds of age. The cost cap will be reconsidered once the final decision on a remedy and how this affects the Scottish Teachers' Pension Scheme is known and its impact fully assessed in relation to any additional costs to the scheme.

Robert Gordon University level of participation in the scheme was 0.9% based on the proportion of employer contributions paid in 2018-19.

The total Scottish Teachers' scheme cost for the University for the year was £4,994k (2019: £3,813k) and at 31 July 2020 £425k was outstanding (2019: £310k).

2) North East Scotland Pension Fund

The University participates in the Local Government Pension Scheme in respect of professional and support staff and is able to identify its share of the underlying assets and liabilities. The Local Government Pension Scheme is a defined benefit scheme which is externally funded and contracted out of the State Earnings-Related Pension Scheme. The assets of the scheme are held in a separate trustee-administered fund.

The latest valuation was carried out as at 31 March 2017 and as a result of that valuation the rate payable by the University from 1st April 2018 until 31 March 2021 was confirmed at 19.4%.

Contributions paid by employees from 1st April 2010 are based on salary bands ranging from 5.5% to 11.2% of pensionable pay. There was no change to this rate following the latest valuation.

Under the definitions set out in FRS102, The total North East Scotland Pension Fund is a defined benefit scheme. Accordingly, the University has implemented the accounting standard "FRS102:Accounting for retirement benefits" to determine the University's net pension liability.

FRS102 requires that the discount rate is determined by reference to high quality corporate bonds in the UK that match the estimated term of the pension obligations. We have assumed that 'high quality' corporate bonds are those which at least one rating agency considers to be at least AA (or equivalent).

FINANCIAL STATEMENTS

Notes to the Accounts (continued)

For the year ended 31 July 2020

29. Pension Schemes (continued)

2) North East Scotland Pension Fund (continued)

Financial assumptions used by the actuary at the end of the accounting period	2020 %	2019 %
Rate of CPI inflation	2.3	2.2
Rate of increase in salaries	*3.8	*3.7
Rate of increase in pensions	2.4	2.3
Discount rate	1.6	2.2

*An adjustment has been made for short term pay restraint in line with the latest actuarial valuation

Post retirement mortality assumptions (normal health)	S3PA CMI 2019 (1.75%) 121% Male	S2PA CMI 2015 (1.75%) 100% Male
Non-retired members	S3PA CMI 2019 (1.75%) 101% Female	S2PA CMI 2015 (1.5%) 90% Female

Retired members	S3PA CMI 2019 (1.75%) 101% Female	S2PA CMI 2015 (1.5%) 98% Female
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Life expectancy	2020 Years	2019 Years
Future pensioner age 65 in 20 years time	Males 23.0	25.8
	Females 26.2	28.1
Current pensioner age 65	Males 21.4	22.9
	Females 24.1	25.0

Asset allocation	2020 £'000	2019 £'000	2019 %
Equities	106,374	97,888	60.1
Government bonds	13,404	9,610	5.9
Other bonds	10,483	1,955	1.2
Property	11,858	12,379	7.6
Cash/liquidity	4,812	9,121	5.6
Other	24,918	31,924	19.6
	171,849	162,877	

Analysis of the amount shown in the balance sheet	2020 £'000	2019 £'000
Fair value of plan assets	171,849	162,877
Present value of benefit obligations	(236,689)	(210,295)
Net pension liability	(64,840)	(47,418)

Components of pension expense recognised in I&E

Current service cost	8,711	6,316
Net interest cost	994	364
Administration expenses	88	86
Past service cost	549	1,172
Curtailments	21	0
Total expense recognised in I&E	10,363	7,938

Statement of other comprehensive income

Remeasurements (assets and liabilities)	(11,407)	(29,067)
Total remeasurements included in SOCI	(11,407)	(29,067)

Notes to the Accounts (continued)

For the year ended 31 July 2020

29. Pension Schemes (continued)

2) North East Scotland Pension Fund (continued)

Change in benefit obligation	2020 Group £'000	2019 Group £'000
Benefit obligation at beginning of year	210,295	168,142
Current service cost	8,711	6,316
Interest on pension liabilities	4,596	4,846
Member contributions	1,423	1,400
Past service cost	549	1,172
Remeasurements - experience loss/(gain)	(1,210)	0
Remeasurements - loss/(gain) on assumptions	16,360	31,941
Curtailments	21	0
Benefits / transfers paid	(4,056)	(3,522)
Benefit obligation at end of year	236,689	210,295
Change in plan assets	2020 Group £'000	2019 Group £'000
Fair value of plan assets at beginning of year	162,877	153,471
Interest on plan assets	3,602	4,482
Remeasurements (assets)	3,743	2,874
Administration expenses	(88)	(86)
Employer contributions	4,348	4,258
Member contributions	1,423	1,400
Benefits / transfers paid	(4,056)	(3,522)
Fair value of plan assets at end of year	171,849	162,877
Actual return on plan assets	2020 Group £'000	2019 Group £'000

Defined benefit scheme assets do not include any of the institutions own financial instruments, or any property occupied by the University.

The estimate for the employer contribution for the defined benefit scheme for the year 2020/21 is £4,335k.

The decisions of the Court of Appeal in the Sergeant/McCloud cases (generally referred to for the LGPS as "McCloud") have ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. The year-end pension obligation reflects an estimate of the probable potential effect of McCloud as at 31 July 2020, based on the individual member data held in the 31 March 2017 triennial actuarial valuation. This was recorded as an accrual of a past service cost on £1,172k in the prior year. The approach to the calculations is after consideration of the categories of members potentially affected and calculates the cost of applying a 'final salary underpin' (on a member by member basis) to those active members who joined the Fund before 1 April 2012 and would not otherwise have benefited from the underpin. The additional liability recorded is sensitive to the assumptions made, in particular the estimate of future real pay growth of 1.5% p.a. above CPI.

On 26 October 2018, the High Court in England handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded such schemes should be amended to equalise differences in pension benefits for men and women arising from amounts accrued under the Guaranteed Minimum Pension ("GMP") between 1990 and 1997. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. For the North East Scotland Pension Fund, for members who reach State Pension Age before 6 April 2021, GMP benefits were equalised and indexed fully in line with CPI in prior years. HM Treasury has consulted on an approach for indexation and equalisation of GMPs beyond 2021, stating that it expects one of two possible approaches to be adopted longer term – these being either extension of full indexation of GMPs to all members reaching State Pension Age after 5 April 2021; or conversion of GMPs into "normal" scheme benefits. Either approach would achieve GMP equalisation for members reaching SPA after 5 April 2021 but to date, HMT has yet to confirm which of these approaches will apply. Pending this determination, at 31 July 2020, equalisation has been recorded in the current year for affected members reaching State Pension Age after 5 April 2021. This has resulted in a past service cost recorded in the year of £529,000. Any additional liability which may arise is not expected to be material. The University's other defined benefit scheme, the unfunded Scottish Teachers' Pension Scheme, may also be impacted in the future, to the extent changes in benefits due to the judgment increase the future level of employer contributions.

Notes to the Accounts (continued)

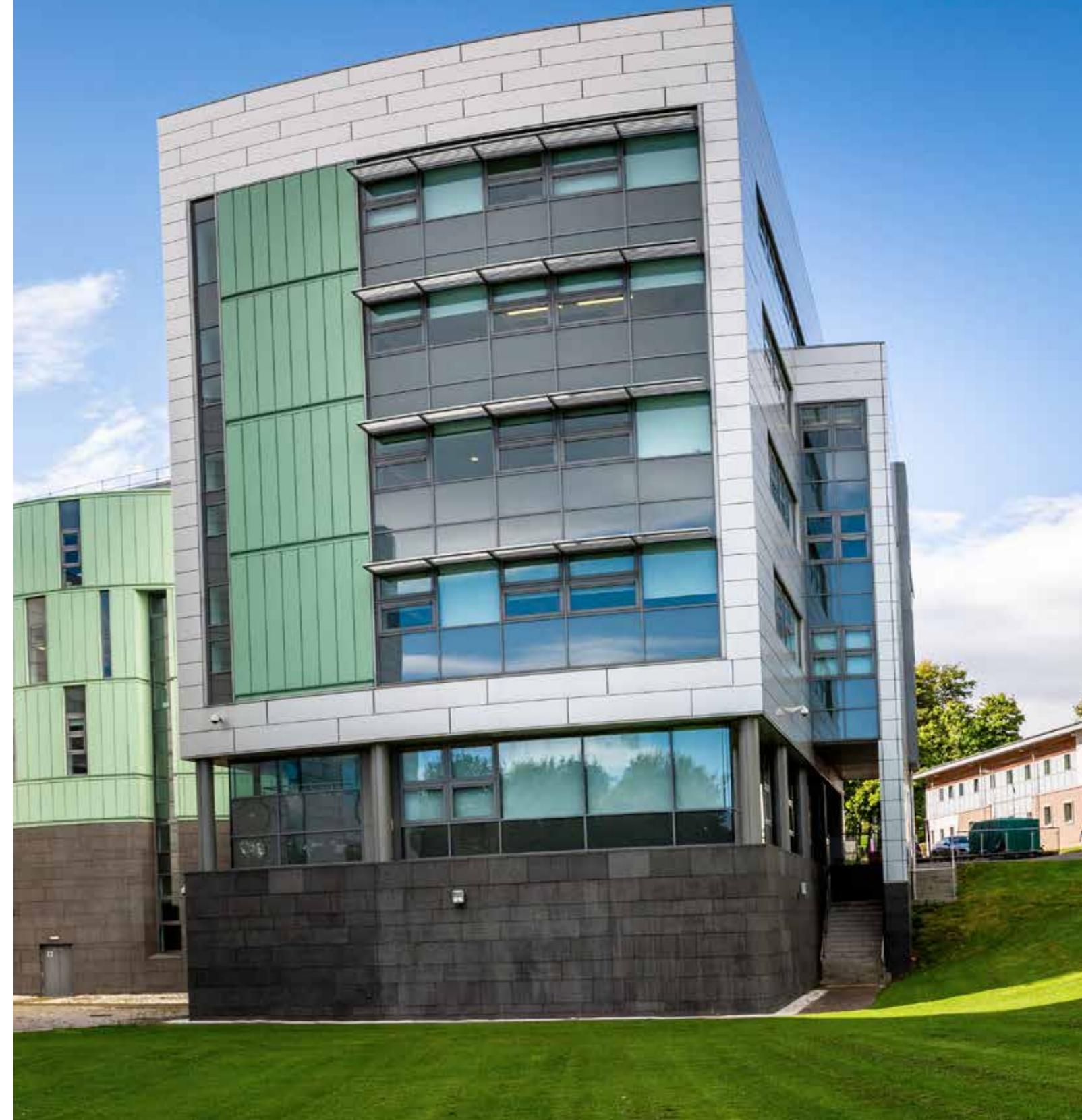
For the year ended 31 July 2020

29. Pension Schemes (continued)

2) North East Scotland Pension Fund (continued)

The NESPF defined benefit pension obligation is sensitive to the following assumption changes:

- A 0.1% increase in the discount rate would increase the pension obligation and deficit by £5m.
- A 0.1% increase in inflation rater would increase the pension obligation and deficit by £5m.
- A one year increase in life expectancy would increase the pension obligation and deficit by £7m.



ANNUAL REPORT & FINANCIAL STATEMENTS

