

ANNUAL REPORT & FINANCIAL STATEMENTS

For The Year Ended 31 July 2019





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On my appointment as Principal in September 2018 my first action was to refresh our institutional strategy to provide a renewed sense of direction for the university community and address the long-term sustainability of the institution.

Our refreshed strategy is focused on growing new revenue sources so that we can move towards greater resilience. It articulates a clear sense of purpose as a demand-led and professionally-focused university. The strategy is designed to ensure the university continues to offer an inclusive and high quality student experience while growing the impact of its research in key areas. It sets out an ambition to extend the reach of the university's provision into the workplace and to play a wider role in supporting the economic development of the region. It values and celebrates our culture and provides a renewed focus for the university community to work together to build on our strengths, address challenges and pursue growth opportunities.

It is a time of considerable uncertainty and financial challenge for the higher education sector. The recent Audit Scotland Report on the Finances of Scottish Universities makes clear that the sector is encountering rising costs and a continual reduction in public funding. These challenges are reflected in

the university's financial performance. The accounts demonstrate the pressure of flat cash settlements from the Scottish Funding Council, rising utilities costs and particularly increasing pension liabilities. Furthermore, in common with many UK institutions, the university has encountered challenges in securing fee-paying students. This is a consequence of the downturn in the oil and gas industry and increased competition within the global higher education sector. These challenges remain a significant focus of management activity over the current academic session.

Despite the challenging environment, we have celebrated many achievements during the last year.

- In the National Student Survey this university was ranked in the top three in Scotland for overall satisfaction.
- We have continued to lead the delivery of Graduate Apprenticeships in Scotland.
- Our launch of the RGU Startup Accelerator contributed to our recognition by the Herald Higher Education Awards for Outstanding Business Engagement.
- The university exceeded its target for student success, recording its highest continuation rate since 2014/15 for Scottish domiciled undergraduate entrants.
- On employability, we have retained our position as the top university in Scotland and fourth in the UK.
- Our research revenue has shown significant growth and we have exceeded our target for the number of scholarly outputs.

All of this has been made possible by the collaboration and commitment of the university community. I am proud to be head of this institution which is making a considerable impact through its demand-led teaching and research.

Professor John Harper
Principal and Vice-Chancellor

STRATEGIC OVERVIEW

Robert Gordon University (RGU) has a mission to transform individuals and communities by providing demand-led teaching and research to contribute to economic, social and cultural development regionally, nationally and internationally. To achieve this, the university has identified a series of key strategic aims and enablers: activity against each of these is provided throughout this annual report. The university's strategy has been developed to reflect the significant strengths that make RGU distinctive.

The closeness of RGU's relationship with professional bodies and employers allows the university to develop a curriculum that addresses specific skills needs, extending the reach and relevance of its provision to drive employability and support individuals to thrive throughout their careers. Creating equal opportunities to access higher education is a long-standing commitment of the university and it maintains a strong focus on providing learner opportunities for people of all backgrounds and at all stages of their careers. Its flexible, accessible curriculum and work-based learning opportunities support the upskilling and reskilling of both individuals and workforces.



RGU prides itself on a student-centred approach to the learning experience which creates an inclusive environment. We ensure a high quality student experience through active engagement with students in the design and delivery of the curriculum. This gives students a strong identity and the opportunity to shape their learning to ensure it meets their needs, enabling them to succeed in their studies and grow as individuals.

The university is committed to growing the impact of its research by building critical mass around established research leads. The university is investing in additional resource to support areas where it is already delivering globally impactful research. It is focused on interdisciplinary collaboration, developing new, and nurturing existing, innovative strategic research partnerships with business and industry.

RGU is committed to the growth and development of the people and economy of the North East of Scotland and is actively engaged with the region's ambitious and exciting transformation. A key part of this is harnessing its expertise and strengthening its partnerships with industry to stimulate innovation and economic development. Building on this, the university is fostering innovation and entrepreneurship to support company creation and growth, and the development of products and services. Further afield, the university is building strong relationships to stimulate international economic development. RGU is collaborating with governments, trade bodies, industry associations and educational institutions to support the skills, capacities and capabilities of international energy industries.



CASE STUDY

EXTEND THE REACH AND RELEVANCE OF LEARNERS' OPPORTUNITIES TO GAIN EMPLOYMENT AND THRIVE IN THEIR PROFESSIONAL CAREER

The university is focused on widening access to its courses and diversifying its provision to prepare current and future generations of students for employment, as well as on upskilling and reskilling professionals for the changing working environment.

RGU has established itself as a leading provider of Graduate Apprenticeships in Scotland which are a significant new form of revenue for the university. In 2018/19 seven courses, across a range of disciplines including construction, engineering, business management, computing and accountancy - this is the only accountancy GA in Scotland - were developed. These courses are based on learning in the workplace, reflecting the importance of the university's approach in engaging employers to design the curriculum and its recognition of the value of work-based learning. The first Student Experience Questionnaire for Graduate Apprenticeships

showed that 91% of students were satisfied with their course, a significant achievement for such a new mode of delivery.

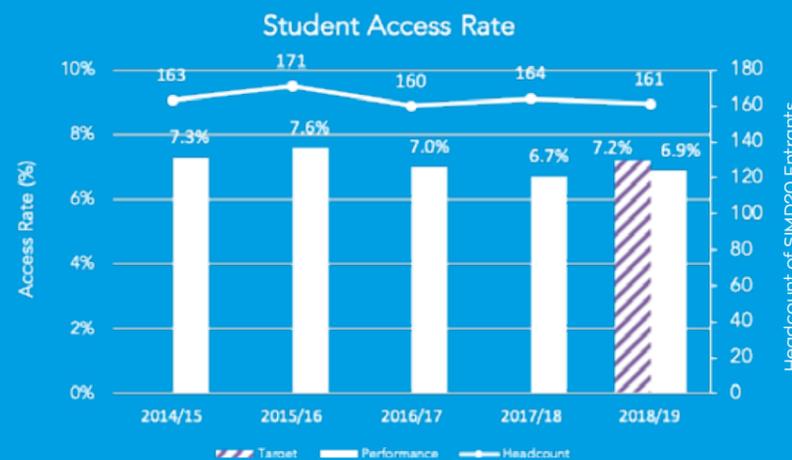
RGU's sector leading partnership with North East Scotland College (NESCol) enables one of Scotland's largest cohorts of articulating students to enrol with advanced standing each year, supplemented by agreements with colleges elsewhere in Scotland. The university has worked in partnership with Aberdeen City and Aberdeenshire Councils to develop partnerships with seven schools in the region, including those with a history of low participation in higher education to ensure that it is engaging with as wide a range of young people as possible. Given the university has a strong focus on regional recruitment in a region with low numbers of SIMD20 school students, the university has continued to commit to very challenging targets and achieved 6.9% in its student access performance rate for 2018/19.

KPI: STUDENT ACCESS RATE

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

TARGET FOR 2018/19: 7.2%

PERFORMANCE: 6.9%



DEMAND-LED WORK-BASED LEARNING

RGU is one of Scotland's largest providers of Graduate Apprenticeships (GAs), working with over 110 companies across the country. It has developed an innovative delivery model which prioritises work-based learning, seamlessly fitting around existing operational priorities. The importance of work-based learning was recognised by Balmoral Group which identified GAs as an opportunity to retain and attract staff. The company places people development as a top priority for continued success.

Initially enrolling existing staff members on to GAs, Balmoral this year recruited specifically for the programmes. It now has Graduate Apprentices in the Design, Finance, HSE and Production areas of the business. Balmoral realised that a shift to work-based learning could provide benefits on many levels. The learning is relevant and employees are able to put what they learn straight into practice, bringing fresh ideas to the business; employees are more engaged when they feel supported in their career development; and for the mentors, it provides the opportunity to develop people management and coaching skills.

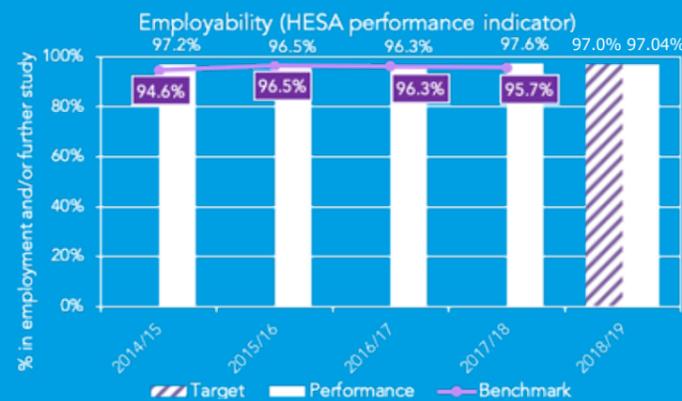


The future employment and success of its graduates is a key driver for the university, informing the way that the university develops its course portfolio to ensure it is aligned to student and market needs. In 2018/19 its internal Leavers' Survey demonstrated that the university continues

to perform as one of the top universities both in Scotland and the UK, for employability, with 97% of students being in employment or further study six months after graduating. This continues RGU's strong performance from the final Destination of Leavers from Higher Education (DLHE) survey in 2017/18.

KPI: STUDENT EMPLOYABILITY RATE

The HESA Performance Indicator for employability (derived from the Destination of Leavers' Survey (DLHE)). N.B Performance remains based on the outcome of the final DLHE survey (published in June 2018), which was **97.6%**. The university undertook an internal Leavers' Survey in 2018/19 in order to bridge the gap between the end of the DLHE and the first publication of results of the Graduate Outcomes Survey (due in Spring 2020).



TARGET FOR 2018/19: 97%

PERFORMANCE (DLHE): 97.6%

PERFORMANCE (Internal Leavers' Survey): 97.04%

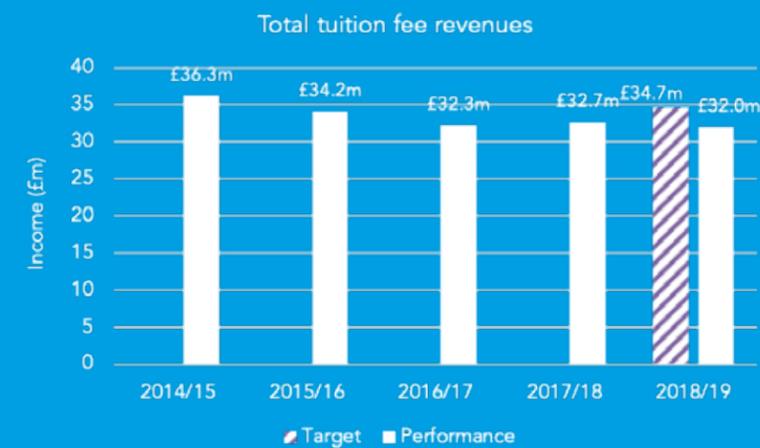


In the past year the university's employability team has launched the career 360 initiative which allows students and alumni to present employers with robust evidence of their employability skills. It also launched the eHUB app which provides extensive employability resources to allow students to reflect on their current experience and attributes, develop new skills and create a suite of evidence for their future career. This is reflected in the university's unparalleled reputation in Scotland for employability, ranked 34th in the world for its graduate employment rate in the QS Graduate Employability Rankings 2019.

The university is focused on growing the numbers studying at the institution and has seen an improvement in its current recruitment cycle.

In 2018/19 the university missed its total tuition fee revenues, earning a total £32m. Increasing application numbers across a number of key market segments and identifying new revenue streams will therefore be critical to improving the university's current recruitment position.

KPI: TUITION FEE REVENUE



The total revenue earned from undergraduate and taught postgraduate students

TARGET FOR 2018/19: £34.7M

PERFORMANCE: £32M

CASE STUDY

ENSURE A HIGH QUALITY STUDENT EXPERIENCE

A high quality student experience is vital to the university’s purpose. Students are at the centre of the university’s approach to the design and delivery of teaching and learning, and help shape the support they are provided with throughout their studies.

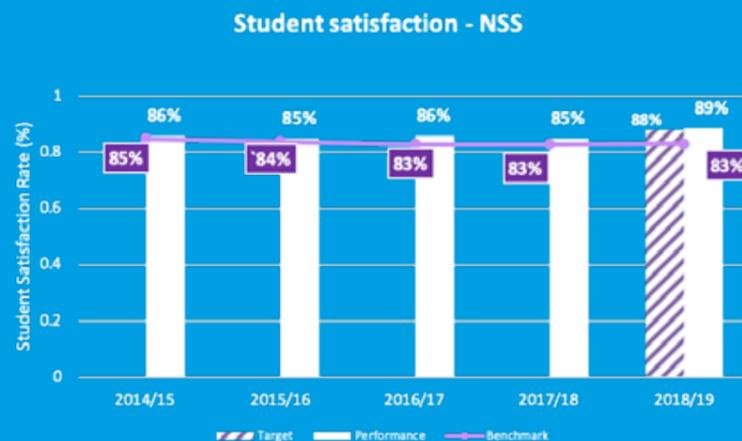
The university has continued to enhance its inclusive student experience and secured its place in the top three in Scotland for student satisfaction in the National Student Survey, with an overall score of 88% which exceeded its performance target in this area.

KPI: STUDENT SATISFACTION RATE

Performance in the annual National Student Survey (NSS) commissioned by the Office for Students. This is measured on the proportion of students who respond positively to the question ‘overall I am satisfied with the quality of the course’.

TARGET: 88%

PERFORMANCE: 88.61%



One of the hallmarks of the university is the approachability of staff – academic and support – which is reflected in the scores for academic support which are significantly above the national benchmark at 91.9%. The importance of this support is reflected in the university’s achievement in recording its highest

continuation rate since 2014/15 for Scottish Domiciled undergraduate entrants (SDUE) returning to study in year two at 93.4%. These results are testament to the pastoral and academic support the university provides its students to ensure they thrive throughout their studies.

SUPPORTING STUDENT SUCCESS

RGU is committed to supporting students throughout their education journey and beyond to help them thrive and achieve success. The effectiveness of these services is exemplified in the experiences of Charlotte McInnes, an Applied Biomedical Science graduate who took full advantage of RGU’s employability and student support opportunities to secure the first step in her career journey.

Charlotte discovered she was dyslexic in her fifth year at school. RGU’s Inclusion Centre’s dedicated team worked with her to explore ways of managing her learning difficulty and ultimately succeed in her studies.

The university’s Employability Hub (EHub) helped Charlotte gain relevant industry experience through placement opportunities in a hospital setting. This experience helped Charlotte put theory into practice and confidently complete her registration portfolio – a requirement for becoming a Biomedical Scientist.

Charlotte secured employment as a Trainee Biomedical Scientist in Raigmore Hospital in Inverness following her university journey.

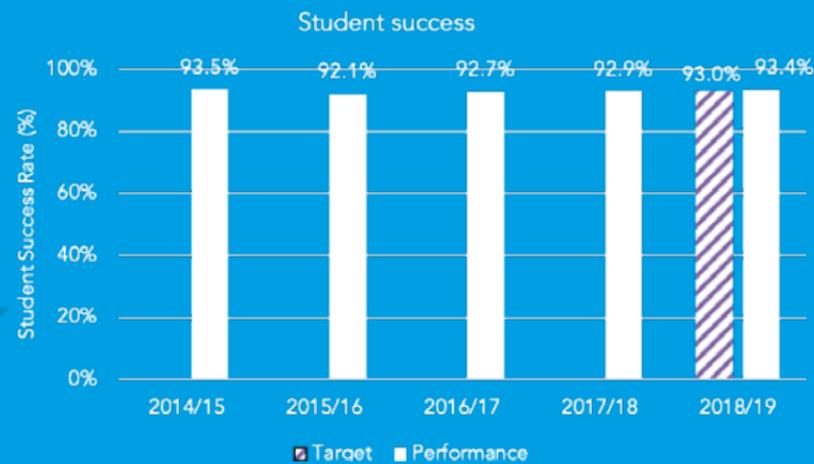


KPI: STUDENT SUCCESS RATE

The proportion of full time first year SDUE returning to study in year two.

Target: 93%

Performance: 93.4%



Core to the strategic aim to ensure a high quality student experience is providing appropriate support to enable students to be resilient, succeed in their studies and grow as individuals. The university is committed to providing a community that promotes and supports positive wellbeing. In the past year the university increased the number of support counsellors available on campus, signed its Mental Health Agreement with the NUS and launched Silvercloud, an online self-help platform to support positive mental well-being. To monitor and identify improvements in the student learning experience, the university undertakes an annual appraisal which is carried out at both course and school level and is used to identify enhancement plans.

With an increasing focus on the importance of digital learning, in the past year the university has enhanced its online provision and services. Based on consultation with and feedback from staff and students, the university has upgraded its online learning and support platform Campus Moodle. This has included improving and streamlining its support

for off-campus students with a new digital learning environment, ensuring online learners have access to a full range of support services.

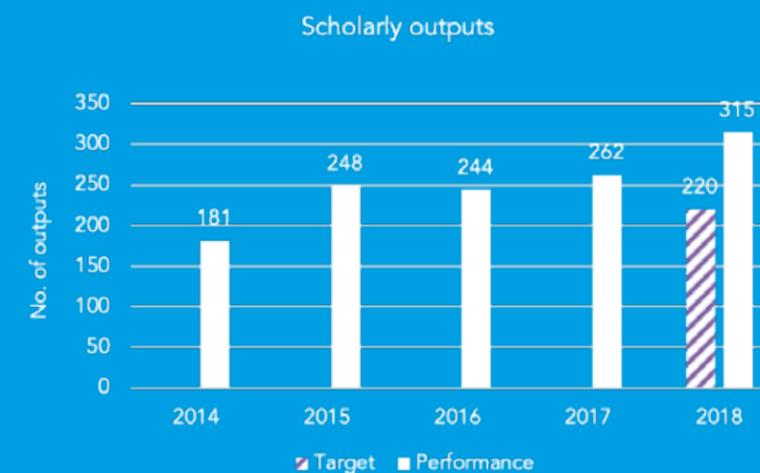
RGU has taken steps to embed entrepreneurship across its activities to prepare its students for the innovation economy, equipping them with the transferable skills, enterprising knowledge, attitudes, and behaviours to adapt to changes throughout their careers. In the past year the university has delivered the Innovation Masterclass Series which offers students the opportunity to learn from leading business and industry figures who share their experiences of entrepreneurship and innovation. In 2018 the university launched the Innovation Skills & Tools workshops, a suite of free and extra-curricular short courses to equip students, staff and alumni with essential expertise for the next generation of jobs and industries. These short courses attracted 600 participants. RGU's approach to embedding entrepreneurship and innovation within the university was recognised at a national level by the 2019 Herald Higher Education Awards for Outstanding Business Engagement.

GROW THE UNIVERSITY'S GLOBALLY RECOGNISED IMPACTFUL RESEARCH

The university is making a significant investment to grow the impact of its research activity. A renewed focus on research is designed to stimulate a strong and vibrant research culture by developing strategic partnerships and fostering interdisciplinary working.

Recognising its relatively small research base, key to the achievement of the university's research ambition is staff development and a focus on areas of research where RGU has demonstrable capability. The university exceeded its target for research outputs, securing 315 in 2018/19. Over the next ten years the university will support research leadership in smart data and artificial intelligence, industrial biotechnology, sustainable transport and built environment visualisation.

KPI: RESEARCH OUTPUTS



The number of scholarly outputs that have been published in Scopus. **This is provided by calendar year (rather than academic year).**

Target for 2018: 220

Performance: 315

Positive growth in its research revenues over the last two years is indicative of the growing success of its strategy to focus on areas of impactful research and preparation for REF 2021. The university has continued to focus on high quality and targeted applications for external research funding. The

targeting includes a focus on larger funding sources and six awards with a value of over £200k have been secured. The wide range of developmental activities to support early-career researchers continues, as have the sabbatical opportunities for academic staff.

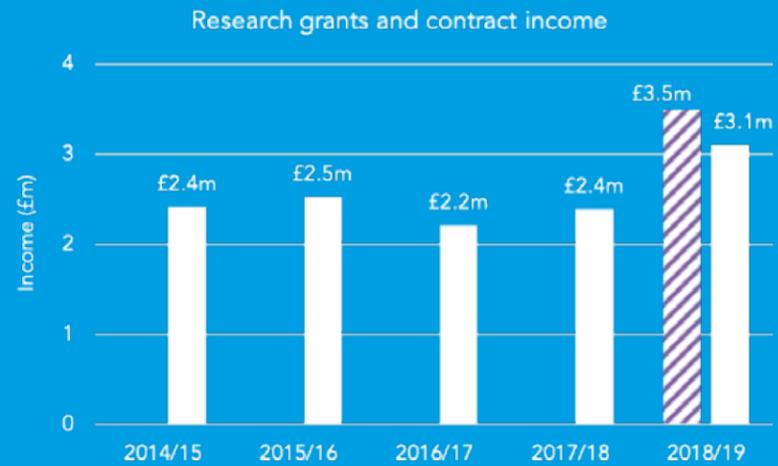
CASE STUDY

KPI: RESEARCH REVENUES

The amount of research grant and contract income secured by the university in the academic year 2018/19 from Research Councils, UK-based charities, the UK Government and the European Commission, in addition to other grants and contracts excluding research postgraduate studentships, as reported in the annual financial statement.

TARGET FOR 2018/19: £3.5M

PERFORMANCE: £3.1M



In the past year, the university has embarked on a partnership with the Oil and Gas Technology Centre (OGTC) to establish the National Subsea Centre, a multi-million-pound partnership and a central component of the innovation strand of the Aberdeen City Regional Deal, supported by both the Scottish and UK Governments. The ambition of the National Subsea Centre is to accelerate the development of underwater engineering and technology to unlock the full potential of the UK continental shelf and maintain the UK's leadership position in this growing global market. The National Subsea Centre will build capacity and capability in subsea research and

anchor that in the north-east of Scotland. Primarily the National Subsea Centre is about growth in the economy - it will inevitably support the creation of more profitable companies, jobs and bring new business in to the region.

Additionally, the university hosts the North of Scotland KTP Centre, helping businesses to improve their competitiveness and productivity through the better use of knowledge, technology and skills that reside within academia. This year has seen an increased number and wider range of KTPs, covering disciplines from art and design through to big data.



BUILDING STRONG RESEARCH PARTNERSHIPS

RGU's ambition to grow its globally-recognised impactful research is supported by the strong partnerships researchers have built up over many years. In the university's strategic research area of industrial biotechnology, Professors Linda Lawton and Christine Edwards, School of Pharmacy and Life Sciences (PALS), have spent decades building a robust partnership with Enzo Life Sciences, a biochemical company.

This ongoing collaboration sees Linda, Christine and the PALS team provide the firm with high value biochemical toxins extracted from their blue-green algae specimens. Over the years, the PALS team has become world-leading producers of these toxins for research purposes, even producing some compounds that are not manufactured anywhere else on the globe. Enzo Life Sciences then distributes these compounds to a number of different organisations around the world for use in various research projects.

The team is involved in other toxin-related research working to help shellfish farmers to detect these toxins before they can impact on the shellfish colonies.

Work is also underway with partners in Sri Lanka assessing whether related toxins in water supplies could be responsible for kidney damage in the population there.



CASE STUDY

STIMULATE ECONOMIC DEVELOPMENT AND SUPPORT ORGANISATIONS TO BE MORE SUCCESSFUL

Since it was established the university has retained strong focus on working with industry to promote greater innovation and stimulate economic development.

This sees the university work in partnership with private, public and third sectors, and organisations regionally, nationally and internationally, to enhance skills, support company creation and growth, and assist with the development of novel products and services.

This year the university has structured its business development activities around sector portfolios. This approach will see the university lead in the

development of a sector approach to skills gap analysis and demand-led interventions to address them. The university has also undertaken a strategic approach to developing regional partnerships with the restructure of its Business and Economic Development (BAED) Department. The university has been particularly pleased to partner with Opportunity North East (ONE) in the £1.5million refurbishment of one of its historic city centre buildings to develop the One Tech Hub. This opened earlier this year as the new home of the digital technology and entrepreneurship community in the North-East of Scotland, cultivating business growth by providing an environment which stimulates collaboration, connectivity and creativity.



SHARING KNOWLEDGE AND EXPERTISE WITH BUSINESSES

Knowledge exchange partnerships are an important part of RGU's approach to stimulating economic development. These partnerships build on RGU's strong links with industry and aim to help businesses overcome challenges through the delivery of sustainable solutions. These partnerships have helped businesses to enhance efficiency, make cost savings, improve safety, and grow into new markets.

A knowledge transfer partnership between Gray's School of Art and Montrose Rope & Sail, one of Scotland's oldest independent companies, has helped the business diversify its product offering to target new markets. This was necessary following the downturn of the oil and gas sector, a key customer of the company, helping it to grow sustainably and stay resilient.

Montrose Rope & Sail chose to capitalise on the expertise within Gray's to gain insight into high-end product design and access to the university's specialist facilities. This collaboration led to the pre-launch of a new sub-brand called Veske, which embraces the company's heritage story and builds on its core product range to reach a luxury customer base.



Further relationships have included engagement with the Oil and Gas Technology Centre (OGTC) through the National Subsea Centre, and with companies, particularly for Graduate Apprenticeships as well as through an increasing focus on knowledge transfer activities such as Knowledge Transfer Partnerships. Looking to the future, RGU has worked in partnership with the energy skills body OPITO to launch the Workforce Dynamics report which sets out a strategy and plan to prepare the UK energy industry for a shift in skills requirement over the next six years.

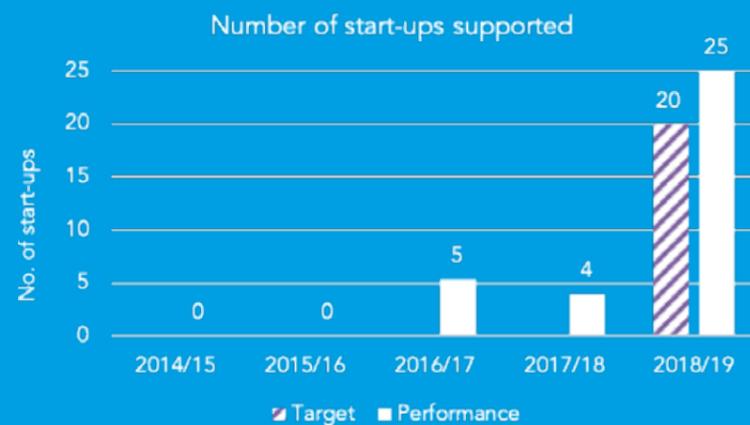
The RGU Startup Accelerator was launched this year, a new programme of support to develop entrepreneurial activity amongst staff, students and alumni, leading to the creation of new business to support the diversification of the regional economy. The Startup Accelerator, located in the ONE Tech Hub in the centre of Aberdeen, has supported 25 start-up teams of students, staff and alumni from both RGU and NESCoI. The ambition and success of these teams was celebrated at its first showcase event in May, with teams pitching for additional investment. A number of teams have successfully attracted seed investment, been recognised at national award ceremonies and have sales traction.

KPI: NUMBER OF START-UPS SUPPORTED

The number of new business start-ups and social enterprises started by staff, students or graduates, including spinouts, which are receiving active support from the university.

Target for 2018/19: 20

Performance: 25



Continuing the success of its innovation activity, in the summer of 2019 the university launched its Creative Accelerator programme to support and fund 12 start-up teams in Scotland in a range of creative industries. This programme, run in partnership with Look Again, part of Gray's School of Art, supports the creative industries in the North East of Scotland, helping to stimulate and diversify the economy and importantly help retain creative talent in the region.

Activity to support an entrepreneurial culture at the university has resulted in twelve invention disclosures received by the Entrepreneurship and Innovation Group, including one disclosure from the Energy Transition Institute that was subsequently taken forward in to a spin out company (Safe Influx).

KPI: NUMBER OF INVENTION DISCLOSURES REGISTERED



The number of new completed disclosure forms registered with the Enterprise and Innovation Group.

TARGET: 10

PERFORMANCE: 12

As a globally engaged university, RGU undertakes a range of activity on an international scale. The university is one of only four European institutions to be chosen by the Mexican Government to work in collaboration with Mexican universities to transform training and research in the country's oil and gas sector. In the past year the university has exceeded its £7m target for awards from business engagement, securing £16m. This included revenue

secured from the partnership with the National Subsea Centre, which was signed at the end of July and has a value of £9m. Additional revenue of £5.1m has been awarded by Skills Development Scotland for the extension of the funded numbers on Graduate Apprenticeship. Other initiatives include consultancy, knowledge transfer partnerships, funding from Innovation Centres, Innovation Vouchers and short courses, totaling revenue of £1.9m.

STRATEGIC ENABLERS

Key to the success of the university in achieving its strategic aims are our enablers.

Our People

People are at the heart of the university's strategy. RGU is committed to continuing to attract and retain the best staff and students from around the world and to fostering a welcoming and inclusive environment for all. This year staff were invited to participate in the development of the university's recast strategy through a series of focus groups. Participants in these groups identified a series of core RGU values including: Authenticity, Approachability, Collaboration, Innovation, Ambition and Respectfulness. These values will be embedded across the university in the coming year. Each year the university engages with staff to measure commitment. A snapshot survey this year showed that 88% of respondents felt committed to their school or department and to the university as a whole. In the coming year the university will continue to attract and nurture talent and provide opportunities for development and progression.

CASE STUDY

KPI: STAFF COMMITMENT

The proportion of staff who state in the biennial staff satisfaction survey that they are 'committed to my role and my School/ Department' and 'committed to the university as an organisation'.

TARGET FOR 2018/19: 80%

PERFORMANCE: 88%



Employment of Disabled People

The university is an approved Disability Confident employer and is working to remove barriers, increase understanding and ensure that disabled people have the opportunities to fulfil their potential. In 2019, 6.39% (2018; 4.84%) of the university's workforce have declared that they are disabled. It is the policy of the university 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.

Our Infrastructure

In developing our infrastructure, the university has taken steps to build its provision for off-campus students, providing an excellent digital infrastructure. In the past year this has included undertaking a review of its student services for off-campus students. This project has implemented a new institutional welcome space within Campus Moodle, interactive user tours to familiarise students with the new digital learning environment and a new streamlined support section to better connect all of our students to university support services.

Our Partnerships

Partnerships are integral to the impact of the university's demand-led teaching and research. Engagement with students ensures the university's services are designed and developed in partnership. Curriculum is designed in collaboration with the professional bodies and employers to ensure it is relevant and meets skills needs. Hundreds of students transition into higher education each year using the seamless articulation pathways set up between RGU and its extensive college links. The university's approach to stimulating economic development through knowledge exchange sees the institution build on its strong links with industry to help overcome challenges through the delivery of sustainable solutions. For example, the development of the National Subsea Centre is a close partnership between RGU and the Oil and Gas Technology Centre (OGTC). Through active engagement with the region, the university works in collaboration with organisations and regional bodies such as Opportunity North East (ONE) to grow and diversify the economy of the North-East of Scotland. Further afield, the university works in partnership with governments, trade bodies, industry associations and educational institutions to support the skills, capacities and capabilities of international energy industries.

DEVELOPING LEADERSHIP SKILLS

RGU is committed to attracting and retaining the best staff from around the world and ensuring they feel able to realise their full potential. Supporting this is the university's achievement of Investors in People accreditation for the last 24 years.

Key to this is the creation of a suite of leadership development programmes. Four central programmes exist - Discoverer, Voyager, Pioneer and Aurora.

Both Discoverer and Voyager are accredited by the Institute for Leadership and Management and aim to develop the skills and attributes required by first line and middle managers. These programmes have seen 45 and 33 attendees respectively. Aurora is a women-only leadership development initiative launched by the Leadership Foundation for Higher Education to address the reducing number of women in senior posts in higher education. Since its inception, RGU has put over 60 women through the programme, including 13 over the last academic year. Lastly, Pioneer was developed internally in collaboration with AdvanceHE to support RGU staff with leadership aspirations. Over the last academic year, 14 individuals completed the programme.



Our Sustainability

As a publicly funded institution, RGU is committed to the pursuit of economy, efficiency and effectiveness and seeks to embed principles of value for money into all of its activities. To deliver a sustainable university, the university has taken steps to reduce its reliance on public funding through fundraising activities and developing its strategic investment plan. This has included a shift in its fundraising strategy to align with its strategic plan to focus on the areas of widening access and enterprise and innovation.

Until 2013/14 the university was making satisfactory progress towards its financial targets, with healthy surpluses and strongly positive cash generation. Since then tight public funding settlements, increasing international competition and a significant downturn in the international oil and gas industry have meant that the university has struggled to maintain its growth path. The university's 2018/19 deficit before other gains and losses is £8.1m. Lack of growth in student numbers has meant that the regular cost pressures, both pay and non-pay, have reduced operating margins throughout the university. Two major other factors have contributed to the size of the deficit. The loss includes £3.6m of pension costs (in excess of cash contributions paid) in respect of the university's membership of the North East Scotland Pension Scheme. This is principally non-cash costs relating to the estimated cost of accrual for the year, £2.1m, and an imputed interest charge on the opening year deficit for the year, £0.4m. In addition this £3.6m includes £1.1m of additional costs relating to a recent legal case where it was found that a change in public sector pension rules was age discriminatory; the £1.1m reflects the actuary's best current estimate of the present cost of correcting this discrimination in the future.

The loss also includes £1.0m of pension costs in relation to the increase in the provision required for the university's premature retirement liability. This has generally been driven by a historically low discount rate increasing the current cost of future pension provision.

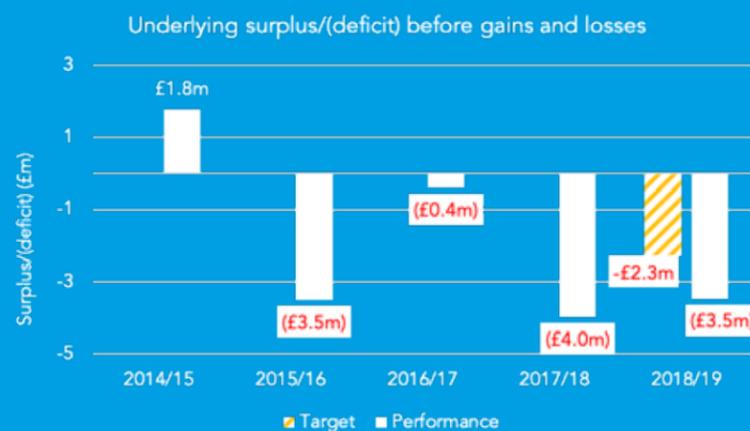
The underlying result for the year before other gains and losses is a deficit of £3.5m.

KPI: UNDERLYING SURPLUS

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.

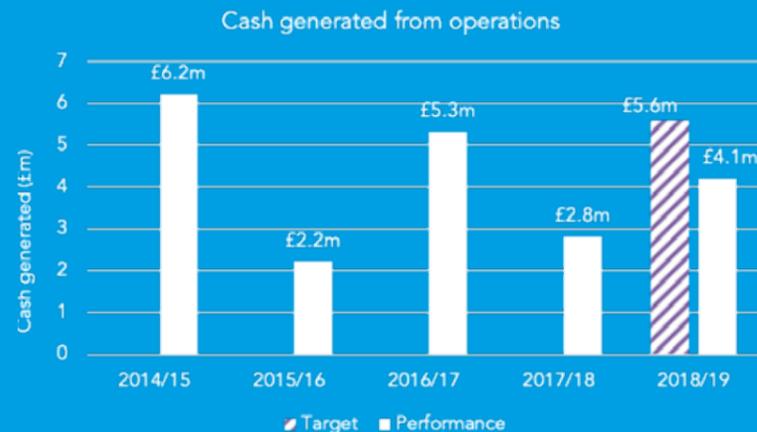
TARGET FOR 2018/19: £(2.3M)

PERFORMANCE: £(3.5M)



During 2018/19 financial sustainability was at the core of efforts to achieve institutional efficiencies with agreement from head of schools and departments to reduce cash outflows and achieve cost efficient portfolios. A concerted programme of efficiency savings helped to reduce the underlying deficit. As a result of the deficit, the cash generation from operations was below target at £4.1m.

KPI: UNDERLYING CASH GENERATED FROM OPERATIONS



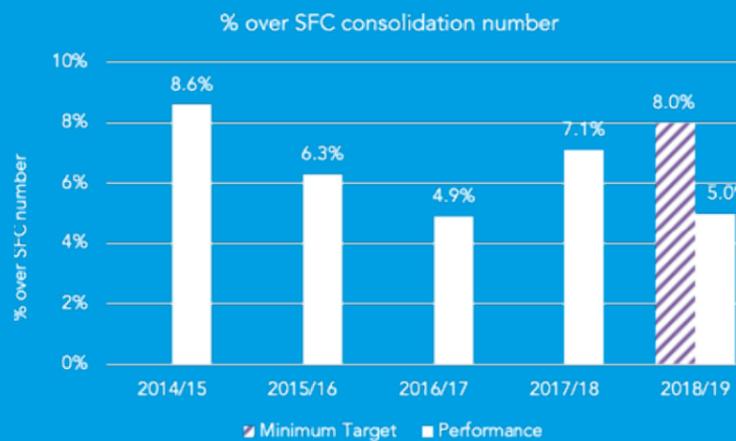
The University's net cash inflow/outflow from operating activities is the net cash inflow/outflow from operating activities reported in the cash flow statement excluding cash flows from exceptional items. No exceptional items arose in the year.

TARGET FOR 2018/19: £5.6M

PERFORMANCE: £4.1M

To off-set the risk of the potential implications of Brexit on EU27 student recruitment and funding, the university has this year sought to slightly increase its percentage of SFC funded students to deal with the possible withdrawal of funding for EU27 student numbers.

KPI: PERCENTAGE OVER THE SFC CONSOLIDATION NUMBER



The University's net cash inflow/outflow from operating activities is the underlying surplus figure detailed in KPI 12 plus adjustments for non-cash items (including stock, debtors, creditors, provisions, depreciation and amortisation) and investing or financing activities (including gains or losses on activity, investment income, interest paid), as reported in the financial statements

TARGET FOR 2018/19: 8-10%

PERFORMANCE: 5%

The university is focused on fulfilling its responsibility to reduce the environmental impact of its operations. Funds from the SFC's University Carbon Reduction Fund, a total of £394k, were loaned to complete a number of key projects including the upgrade of car park lighting to LED to reduce power usage, upgrades to air handling units on the campus and variable speed drives being installed to water pumps. The university has reduced its carbon emissions by 27% over the past four years, the highest reduction by any Scottish university. The university is looking at further measures to reduce its carbon footprint.

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) 2015 – Accounting for Further & Higher Education Institutions.

The financial statements include the relevant results of the University and its 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 53.

Funding Council grants received increased over the prior year, up by £1.4m to £44.5m. Within this total teaching grants increased by £1.0m or 2.5% to £41.0m; research grant funding increased by £0.3m or 12.6% to £2.3m and strategic funding was flat at £0.3m. Capital maintenance grants increased marginally for 2018/19, up by £0.1m to £0.9m.

Income from research grants and contracts for the year was up on prior year by £0.7m, or 28.5%, at £3.1m.

Other income decreased by £3.4m or 24.5% to £10.6m. This was primarily due to the significantly reduced accommodation stock maintained by the university. A decision was taken that previous levels of accommodation stock were not required because of the current general overprovision of student accommodation in the Aberdeen area.

contributions paid, of a full year’s accrual of pension benefits for members of the North East Scotland Pension Fund. It also includes an increase of £1.1m in annual staff costs brought about by the additional pension liabilities created, in this same Pension Fund, by the McCloud case (see note 28 to the accounts for further information). Adjusting for these non-cash items the underlying increase in staff costs is 2.5%.

Staff numbers increased during the year to 1180 full time equivalents, a small increase of 1.8% over the prior year.

Other operating expenses decreased by £1.8m, or 5.8%, to £28.9m. This is essentially driven by the tough economic climate and recent tight public funding settlements.

The group’s depreciation charge for the year decreased from £8.0m to £7.4m.

Interest and other finance costs decreased by £4.4m to £1.5m for 2018/19. Underlying loan interest costs reduced from £1.3m to £1.1m. The interest charge on the pension scheme deficit decreased from £1.3m to £0.4m; given the material increase in overall pension deficit at year end this charge will increase significantly next year. Non-recurring debt restructuring costs of £3.2m were also incurred in the 2017/18 year.

The net group operating result for the year was a deficit of £6.7m (2017/18 deficit of £11.1m).

Total Comprehensive Income for the Year

The group’s total comprehensive income for the year was a deficit of £35.7m (2017/18; surplus £34.6m) as a result of non-operating losses for the year totalling £29.1m.

This loss is driven by the significant increase in the North East Scotland Pension Fund deficit. This deficit increased from £14.7m at July 2018 to £47.4m at July 2019, an increase of £32.7m. Non-cash costs of £3.6m in respect of pension deficit interest and other costs, the 2018/19 annual cost of accrual and an increase in liabilities occasioned by an age discrimination legal case (McCloud) have already been accounted for in the operating deficit. The difference, £29.1m,

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 56. The group generated cash inflows from operating activities of £4.1m for the year, an increase of £1.3m over the £2.8m generated during the previous year. Investing activities resulted in cash outflows of £3.0m (2017/18 £3.0m) whilst financing activities experienced net outflows of £0.6m (2017/18 £1.4m). Available cash and cash equivalents therefore increased by £0.6m from £11.2m at the start of the year to £11.8m at July 2019.

The group’s current asset investments increased during the year by £0.2m to £7.3m. Group debt levels increased from £32.4m to £32.8m.

Capital projects

The group invested £3.3m in fixed assets during the year.

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 an Investment Panel established 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

	2018/19 £000	2017/18 £000
Income	91,943	93,383
Expenditure	(100,078)	(104,733)
Deficit before other gains/losses	(8,135)	(11,350)
Other gains	1,486	249
Deficit before tax	(6,649)	(11,101)

Total incomes of £91.9m were down on prior year by £1.4m or by 1.5%.

Tuition fees decreased in relation to prior year, by £0.8m, or 2.3%, to £32.0m. UK and EU fees totalled £19.8m, an increase of £0.2m or 0.9% over 2017/18. Underlying student numbers here were flat on prior year. Non-EU fees have decreased by £0.8m, down by 6.6% to £11.3m for the 2018/19 financial year.

Investment incomes increased for the year slightly by £0.1m to £0.4m. Donations and Endowments, bolstered by donations received for the university’s new Innovation Hub, rose by £0.5m to £1.4m.

Total expenditure decreased by 4.4% or £4.7m to £100.1m.

Staff costs increased during the year by £2.1m or 3.6% to £62.3m. This increase includes a reduction of £0.5m, to £2.0m, in the cost, in addition to the normal cash

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.

During 2017/18 the university's long term bank debt was due for re-pricing. The market for bank debt tends now to only provide shorter debt tenors – longer than 10-12 years is now rare in the sector. The university was mindful that its growth strategy required long term funding to align to its major long term investments in its operating assets, including its new Garthdee campus. Consequently the university sought alternatives to bank debt. In June 2018 it completed a deal for £32m of private placement debt with a US institutional investor. Debt tenors obtained were an equal mix of 20 and 30 years.

These new funds were used to repay in full the existing Barclays Bank debt and settle the costs associated with early termination of the fixed rate swaps underlying the bank loan. The loan is subject to a cash flow (debt service) covenant and a net asset covenant. The university group continues to forecast compliance with both these covenants.

Year-end position of the group

The group's balance sheets are detailed in the Consolidated and University Balance Sheet on page 55. The balance sheet has been affected by recent changes in the local authority pension deficit. Net assets decreased significantly in the year (having previously increased significantly in 2017/18) from £191.5m to £155.8m. The group's net working capital position has strengthened a little during the year from £8.4m to £9.2m. 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.

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.

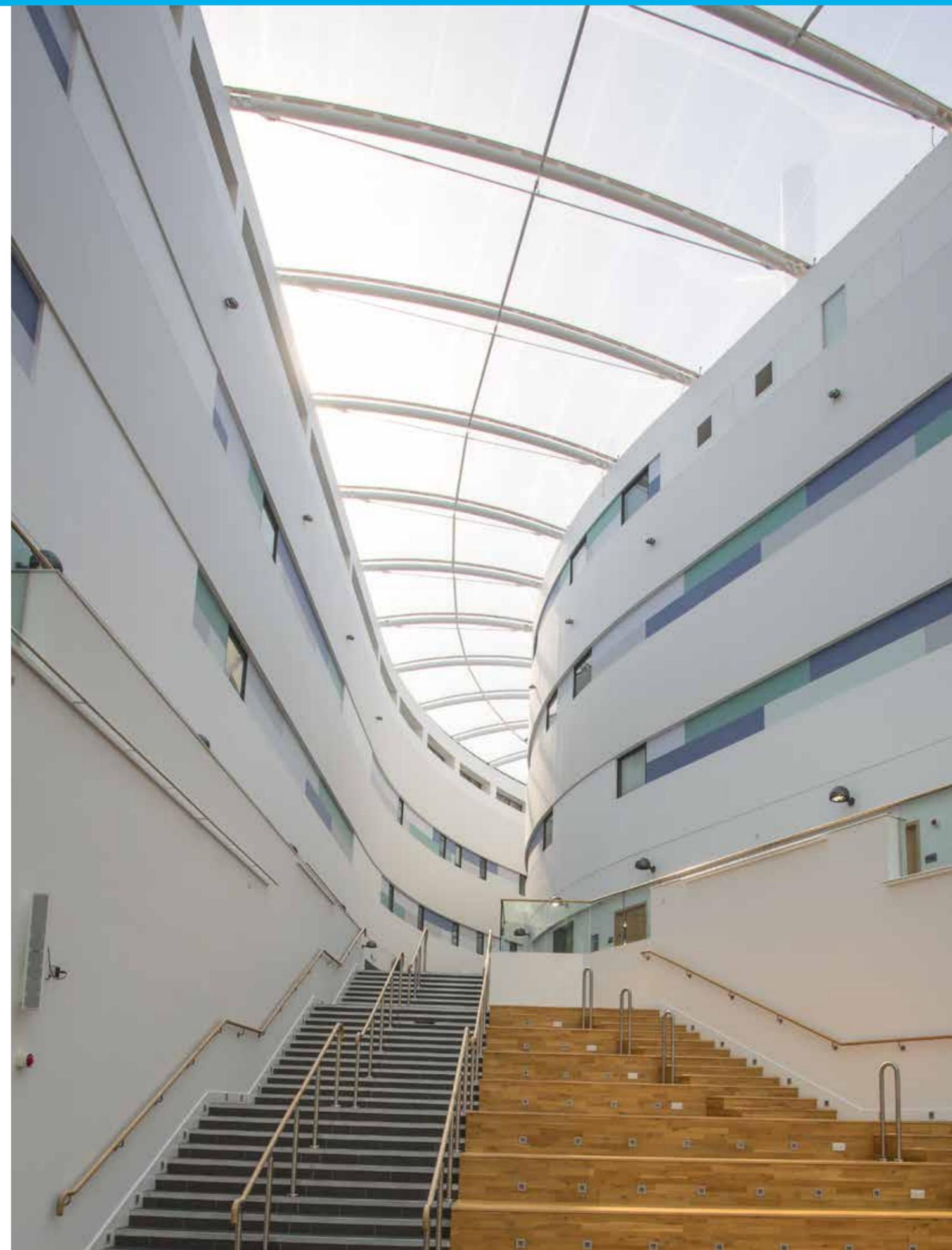
During the year ended 31 July 2019, creditors were paid on average in 28 days (2018: 25 days).

Political donations

No donations for political purposes were made during the year.

Auditor

Following a tender exercise carried out by the university during the year KPMG LLP were appointed as external auditors to the university.



THE UNIVERSITY'S SUSTAINABILITY FRAMEWORK

Financial sustainability is key to the ongoing and future success of the university. The development of the recast strategy map placed the financial sustainability of the university at its core.

Key enablers of the strategy are the requirement to: grow and diversify sources of revenue to reduce reliance on public funding and provide for strategic investment needs, achieve the university's purpose through efficient focused and sustainable operations, and to fulfil the university's responsibility to reduce the environmental impact of its operations.

These key aims are cascaded from the strategy through to the annual business plan. The annual business plan provides a view of the next three years of the university's planning operations with the current business plan being from 2019/20 to 2021/22. The business plan reflects the aims of the strategy and is developed through two processes. The first of these is through the annual planning process. This includes a reflection of the annual appraisal process to identify the university's progress and successes in the past year. Further, this includes a review against the key performance indicators (KPIs) for the past year. There are KPIs aligned to each of the strategic aims and the enablers of the university's strategy. Each of the strategic aims of the strategy are expanded upon in the three-year business plan with a number of key actions developed to support the implementation of the strategic aims.

The key actions of the business plan are undertaken over a three-year period with a number of associated key performance indicators. Over the next three

years, the KPIs associated with the sustainability enabler are the underlying surplus - (deficit), the cash generated from operations and the percentage of fees-only students.

Progress against the business plan is monitored by the Executive on a regular basis and reported to the Board of Governors through quarterly reports on progress against the actions, and progress against the improvement actions of the risk register to ensure that the university is adequately addressing its risks. As the university continues to experience a period of considerable change and uncertainty, the Executive will advise the Board when circumstances, internal and external, suggest the necessity to make amendments to the business plan and/or the risk register.

The development of financial targets enables budget setting and the development of forecasts for a ten-year period. This enables the university to take a long-term view as it develops activities and strategies for the future. Throughout the year the Executive and Governance committees receive regular reports of the university's financial position and costs are rigorously reviewed at institutional and at individual School and Department level. In order to continue to generate revenue, over and above the public funding received, there are a number of actions embedded within the university's business plan to sustain future revenue generation and deliver efficiencies. This includes growing fee-paying student numbers, securing significant investment in support of new revenue streams and continuing to actively develop international relationships bringing economic value to both RGU and partnering organisations.

RISK MANAGEMENT AND INTERNAL CONTROL

The university's 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. In this regard it is the university's approach to minimise exposure to compliance risk, while accepting and encouraging an increased degree of risk related to reputation, financial and to our strategic objectives. The appetite to risk varies for each area, however it recognises that controlled risk taking enables the university to use its opportunities to innovate 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 2019 to align with the recast strategy map. From the review, the risk appetite statement retains areas of compliance, reputation and financial areas of activity and now includes four new areas aligned to each of the university's strategic aims. The risk appetite statement is used extensively across the university to triage new business and commercial opportunities as they arise.

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

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

The process to identify, evaluate and manage risks is embedded in the university 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 their 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 the university's 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 the strategic aims of the university, the university recognises that risks may evolve and change over the year. As such, the risks are regularly reviewed and re-scored to ensure that our risk management framework is addressing those risks which are most important.

In 2018/19 the university had five high level risks. Improvement actions against each of these risks are outlined below:

Risk Title	
Financial Resilience - inability to generate sufficient revenues to meet targets within financial forecasts	During the 2018/19 academic session, all Schools and departments reviewed expenditure which contributed to significant savings over the course of the year. The university also undertook to develop integrated marketing and recruitment plans and develop digital marketing campaigns to seek to recruit additional students with some early successes at the start of the 2019/20 academic session which require further development in future years. The university also undertook activity to secure contracts for future delivery of new Graduate Apprenticeships. Given continued financial pressures within the Scottish higher education sector this risk will continue into the 2019/20 academic session.
Student Recruitment -inability to meet complex targets associated with the Outcome Agreement, against an increasingly competitive market for Scottish Students.	A review of marketing and student recruitment plans over the course of the 2018/19 academic session has led to the university securing its Government funded numbers and increasing recruitment in many other market segments in September 2019. In order to secure various student number target associated with the Outcome Agreement, the university offered free accommodation to MD20 students in their first year of study. Given the increasing competition across the higher education sector this risk will continue into the 2019/20 academic session.
Communications Strategy - Inability to communicate clearly and effectively the university's narrative to staff and/or the wider public.	The university launched a refreshed strategy map during the 2018/19 academic session which staff have indicated in the annual employee engagement survey a high degree of confidence in. A revised strategy for internal and external communications and stakeholder engagement was approved during the year with initial implementation focusing around external communications and a shift from a focus on press releases to a more proactive approach to promoting the university's strategy and impact on Scotland and the north-east of Scotland. Internal communications will be a focus of activity in the 2019/20 academic session and consequentially this risk will continue into new year.
Research - Inability to develop research capacity and grow revenues in line with financial forecasts	Continued activity to develop and support the university's researcher community has led to an increase in research outputs and research applications and awards. Throughout the academic session the university has worked to secure a new National Subsea Centre which will launch in the 2019/20 academic session and enable the university to grow its research and knowledge exchange activity with a economic sector based within the region.
Cybersecurity & Information Governance - the university suffers from a major cybersecurity attack or data breach.	A new Information and Cyber Security working group has been established to co-ordinate activity across different departments within the university. A key focus of activity has been to implement the recommendations arising out of a recent internal audit of Information Governance and ensuring compliance with the EU General Regulation on Data Protection. This risk will no longer feature as a high-level risk in the coming academic session.

The university acknowledges the potential disruptive effect that Brexit could cause on the university's operations. The most significant potential impacts of Brexit on these operations including Scottish Government funding for undergraduate places; inability or difficulty in accessing EU schemes such as Erasmus for staff and student exchange and research funding through schemes such as Horizon 2020; and changes to the visa immigration effecting both EU students and staff. These factors have been identified within the university's high-level risk register as contributing factors to risks discussed above, most notably the risks on financial resilience, student recruitment and research. In order to manage and prepare for Brexit the university has established a Brexit Group to co-ordinate the university's activities and to ensure guidance from Government and other sector bodies is embedded within university operations.

Signed



M Fleming
 Chair of the Board of Governors





CORPORATE GOVERNANCE STATEMENT

The university is committed to achieving the highest possible standards of corporate governance relevant to the higher education sector. As part of this it reports compliance against the principles of the Scottish Code of Good HE Governance (revised 2017).

Overall responsibility for corporate governance is vested in the Board of Governors (Board). In executing this responsibility the Board has established a number of key Standing Committees (Finance and General Purposes, Nominations, Remuneration, Staff Governance and Audit). All of these Committees are formally constituted with clear remits which are reviewed annually. The Committees comprise a majority of independent members of the Board, one of whom is the convener. The Board has an approved Statement of Primary Responsibilities (see below), which is reviewed annually, together with a mapping document, to provide reassurance on how these responsibilities are achieved.

The Board formally meets four times a year, in addition to holding Board Strategy Workshops; members of the Executive are normally in attendance. Board members are required to declare any relevant interests on appointment and this data is formally reviewed on an annual basis. Declarations of interest are made publicly available on the university's website. Individual Board members are also asked to declare any interests in relation to Board and Committee agenda business on a routine basis. As a result of a PWC internal audit on Ethics, Code of Conduct and Fraud, the declarations process has been extended to refer to the interests of close relatives. As a matter of good practice, the Board meetings conclude with an in camera session which allows Board members to discuss any items without the Executive being present.

The Minutes of the Meetings of the Board and meeting agendas are published on the website. Papers from meetings of the Board are also made available to staff and students on the university's intranet; some paperwork is not published on the basis that it is considered commercially sensitive or if personal data is provided.

In May 2019, the Board held the Inaugural Annual Public Event, an open advertised meeting to which stakeholders were invited to attend. The meeting was led by the Chair and the Principal gave an account of the university's strategic direction. The meeting provided time for open questions and tours of the facilities were provided.

As a matter of good practice, the Board undertakes visits during the year, providing an opportunity to meet with teams and departments across the university. 2018/19 visits included the Directorate of Student Life and Department for Employability and Professional Enrichment. The Board was also invited to the RGU Accelerator - Founder's Showcase.

Recruitment and inductions

Recruitment to the Board took place in 2018, which, following advertisement, secured one new independent governor and two new external members for Board Committees.

Following appointment to the Board, arrangements are made for the formal induction of new members. Board members, and in particular new Board members, are also encouraged to attend the AdvanceHE event New Governors of Scottish Institutions.

The Board is actively recruiting for a new lay Chair as the current Chair's term of office will expire on 31st December 2019.

Evaluation

The Board and its Standing Committees have in place an agreed annual system of internal evaluation. Committee members rank the performance and effectiveness of each in accordance with its specific remit. The evaluation for 2018/19 for both the Board and its Standing Committees was positive.

During 2018/19 the Board considered a wide range of business including:-

- approving the university's Outcome Agreement and monitoring its progress;
- approving a revised Strategy Map, Business Plan, including measurement of KPIs, and Risk Register and monitoring the latter's progress;
- approving major proposal for strategic investment;
- reviewing Remuneration Policy in advance of the annual Remuneration Committee meeting;
- receiving progress updates on the university's change management (and strategic communications) programme including implementation of the Academic Roles Review Project;
- overseeing the development of strategic partnerships with particular emphasis on NESCo;
- receiving reports on the university's progress with implementing the Higher Education Governance (Scotland) Act 2016 and revised Code 2017 and agreeing specific recommendations for compliance;
- approving arrangements for a university debt restructure;
- receiving an extremely positive external effectiveness evaluation report; and
- 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 therefore the Education Act 1994.

The Board also receives reports from each meeting of Academic Council as part of its routine business. As a matter of good practice, the Board requested an update from the university on Ensuring Effective Governance: The Relationship between Board of Governors and Academic Council which provided an overview of the Quality Enhancement Framework and enabled the Board to assure itself the effective discharge of duties by Academic Council through monitoring compliance with internal quality processes and through reports of engagement with external quality processes and the Quality Assurance Agency.

In May 2018 there was an anonymous Public Interest Disclosure. An investigation, in accordance with the university's policy and procedures on disclosures in the public interest, was carried out. The University concluded a joint lessons learned exercise with the SFC in December 2018.

Standing Committees

As indicated previously, the Board's key Standing Committees are Finance and General Purposes, Nominations, Remuneration, Staff Governance and Audit. The following paragraphs provide further detail on their work and activity during 2018/19.

The Finance and General Purposes Committee advises the Board on policy, strategy and planning in relation to all estates and financial matters. It considers the annual Financial Statements and Financial Forecasts and recommends these to the Board for approval. It oversees the system of financial control and administration and, as appropriate, makes recommendations thereon to the Board. It recommends to the Board the university's annual revenue and capital budgets and monitors performance in relation to the approved budgets. In addition, the Committee annually reviews the finance and estates strategies, key performance indicators and any material changes to financial limits and authorisations in the Financial Regulations.

During 2018/19, the Committee considered a wide range of associated business matters including:-

- receiving updates on the masterplan development/estate;
- ensuring progress in compliance with the Carbon Reduction Commitment and Carbon Management Plan
- receiving updates on the university's commercialisation activity;
- making recommendations to the Board on strategic investment and SFC loan; and
- receiving updates from a working group to consider potential options in terms of financial challenges (associated with the North East Scotland Pension Fund).

The Nominations Committee makes recommendations to the Board concerning the appointment and re-appointment of Independent Governors. The Committee also makes recommendations to the Board on the appointment of Office Bearers and Committee memberships. The membership of the Nominations Committee includes at least one, and not more than two members, who are external to the university, as well as a staff and student governor. As indicated earlier, there was new Board recruitment in 2018/19. The appointment was a candidate who applied through an open recruitment process in 2018 and had expertise in the health sector. In terms of gender balance, the Board's independent Board membership was 50% female from January 2019.

The Remuneration Committee determines the remuneration of the senior management of the university (in accordance with Board approved policy and processes), including the Principal and Vice-Chancellor. Senior management is remunerated according to a system of non-incremental pay bands which have previously been approved by the Committee. The remit and composition of the Committee was revised and approved in March 2018 based on the new Scottish Code of Good Governance in Higher Education. The revised composition meant that from the start of the 2018/19 session, membership of the Committee included both a Staff Governor and a Student Governor. The number of lay Governors also increased from two to four effective from that date. The remit of the Committee is to consider individual recommendations for pay increases for the Principal and members of Executive. Pay recommendations for other senior managers will be considered and approved by the Executive and reported to the Committee. Decisions on the provision of pay increases for all senior managers, including the Principal and Vice-Chancellor, and members of Executive are informed by a robust system of 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 is in place to ensure the university has a clear human resource strategy which has synergies with other strategies and is appropriate, realistic and achievable. The Committee also reviews and endorses the overall health and safety strategy and plan. In addition, the Committee has a governance role in reviewing achievements against plans, whilst ensuring the strategy and plans can respond effectively to changing internal and external environments. In addition, during 2018/19, the Committee considered a wide range of associated business matters including:-

- Considering the RGU/ SFC Lessons Learned and making revisions to the Conflicts of Interest and Recruitment and Selection policy;
- receiving progress updates on the implementation of the human resource strategy;
- receiving a report on the outcome of Investors in People reapproval and Employee Survey; and
- reviewing the annual occupational health and safety report and receiving regular occupational health and safety strategic review reports.

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 and practice guidance.

The Board receives an annual report from the Audit Committee expressing its opinion on “the adequacy and effectiveness of the institution’s risk management, control and governance arrangements; and arrangements for promoting economy, efficiency and effectiveness (VFM)”. This included a ‘generally satisfactory with some improvements required’ opinion from the internal auditors as part of their annual report, as to the adequacy and effectiveness of risk management, internal control and governance. In addition, during 2018/19, the Committee considered a wide range of associated business matters including:-

- approving the Internal Audit Plan for Session 2018/19;
- receiving internal audit reports provided by PWC in accordance with the annual plan;
- receiving/reviewing internal audit follow-up reports;
- 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 the RGU/ SFC Lessons Learned and reviewing the Whistleblowing policy;

As a matter of good practice the Audit Committee attended a joint meeting with Aberdeen University and North East Scotland College Audit Committees to consider sectoral topics with a focus on Brexit.

The Board has established a Working Group on Governance in order to review its own processes, its effectiveness and its compliance with various aspects of good practice. As part of this process the Board has compared its existing practices with those recommended in Scottish Code (2017 Code). The university is pleased to report compliance with the principles of the revised Code and a high degree of compliance with its detailed provisions:-

- the introduction of an annual public stakeholder meeting (held in May 2019);
- undertaking an external review of Academic Council (the university received an extremely positive ELIR report in 2016, but the Code’s expectations are for a separate external review. This will be conducted in Autumn 2019 when the university’s revised composition of Academic Council, as amended in accordance with the Higher Education Governance (Scotland) Act, will have been in operation for a year;
- mechanisms for the Board to satisfy itself that it operates at high-levels of social responsibility (there is significant activity in this area but the overarching expectation in respect of paragraph 10 requires specific consideration); and
- aspects being worked though in terms of compliance with the Higher Education Governance (Scotland) Act 2016, for example, the election process for the Chair that commenced in 2018/19 and the process for Trade Union nominated Governors, to be Board members with effect from 1st January 2020. To ensure effective transition to the Board, and as a matter of good practice, the Board has invited Trade Union nominated governors to shadow the Board before their term of office commences.

The Group, as well as reviewing Board processes, effectiveness and compliance with various aspects of good practice, annually reviews the Board’s training/development needs. This is informed by the Board evaluation of effectiveness questionnaire.

The Board has 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 2018 to 31 July 2019) is summarised below:

	Board of Governors	Audit Committee	Finance and General Purposes Committee	Staff Governance Committee	Nominations Committee	Remuneration Committee	Working Group on Governance	Board Strategy Workshop
	4 meetings	5 meetings	4 meetings	2 meetings	2 meetings	2 meetings	2 meeting	1 meeting
Ms M Buchan, Staff elected	4 of 4		3 of 4	2 of 2		2 of 2		1 of 1
Prof D Cairns, Academic Council elected (from 1.1.19)	2 of 2			1 of 1	1 of 1			N/A
Ms M Clare, Independent Governor (from 1.1.19)	2 of 2		0 of 2	1 of 1				N/A
Ms K Close, Staff elected (until Jan 2019 when she left the university)	0 of 2			0 of 1				0 of 1
Mr O Ebrim Postgraduate Student Governor (until Nov 2018)	1 of 1		0 of 1					1 of 1
Mr M Fleming, Independent Governor	3 of 4		4 of 4	2 of 2	2 of 2	2 of 2	2 of 2	1 of 1
Ms K Gifford Independent Governor (from 1.1.19)	2 of 2	1 of 3	2 of 2					N/A
Mrs S Halkerston, Independent Governor	4 of 4			2 of 2		2 of 2	2 of 2	1 of 1
Prof J Harper, Principal (from 1.8.19)	4 of 4		4 of 4	2 of 2	2 of 2		2 of 2	1 of 1
Dr C Hunter Independent Governor (from 1.1.19)	2 of 2	2 of 3						N/A
Mr H Little, Independent Governor	4 of 4		4 of 4				1 of 2	0 of 1
Mr M Ife, Undergraduate Student Governor (from 1.8.18-31.7.19)	4 of 4		4 of 4		2 of 2	2 of 2		1 of 1
Mr E Ogar, Postgraduate Student Governor (from Nov 2018 until 31.7.19)	2 of 3		2 of 3					N/A
Mr D McClean, Academic Council elected (until 31.12.18)	2 of 2			1 of 1	1 of 1			1 of 1

Ms Maggie McGinlay, Independent Governor	3 of 4			2 of 2	2 of 2	1 of 2		1 of 1
Mr K Milroy, Independent Governor	4 of 4	5 of 5	1 of 2	1 of 1		1 of 1		1 of 1
Mr P Murray, Independent Governor	1 of 4		2 of 4					1 of 1
Ms Z Ogilvie, Independent Governor	2 of 4			1 of 2	1 of 2			0 of 1
Mr E Ogilvie-Brown Staff elected (from March 2019)	2 of 2			1 of 1				N/A
Mr R Ramshaw, Independent Governor	4 of 4		4 of 4		1 of 1	1 of 1	1 of 1	0 of 1
Mr T Stevenson, Independent Governor (until 31.12.18)	2 of 2		2 of 2					1 of 1
Mr D Strachan, Independent Governor	2 of 2			1 of 1	1 of 1		1 of 1	1 of 1
Ms Tricia Walker, Independent Governor	3 of 4	2 of 5					0 of 1	0 of 1
Dr Hamish Wilson, Independent Governor (until 31.12.18)	2 of 2	2 of 2		1 of 1				0 of 1

External Committee Members	FGPC	Audit Committee	Nominations Committee	Remuneration Committee
	4 meetings	5 meetings	2 meetings	2 meetings
Mr A Bannister	1 of 2			
Mr J Booth				1 of 2
Ms K Gifford (until 31.12.18)		2 of 2		
Ms S Hynd (from 1.1.19)		3 of 3		
Mr T Stevenson (from 1.1.19)		1 of 3		
Ms K Stewart			2 of 2	
Ms J Young		2 of 2		

Conclusion

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

Signed



M Fleming,
Chair of the Board of Governors

STATEMENT OF THE 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 the governing body of the University. 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 the University's strategic objectives are achieved. The objectives being to:

- (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 the university's 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 the University 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 his/her performance.
- (v) To appoint a Deputy Principal and 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.

(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 the Robert Gordon University, the Governing Body, 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 and 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. The Governing Body has taken reasonable steps to:

- ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Scottish Funding Council and any other conditions which the Scottish Funding Council may from time to time prescribe;
- ensure that any other funds, from whatever source, administered by the Group or the University for specific purposes, have been properly applied to those purposes in accordance with relevant legislation and any other terms and conditions attached to them;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and hence take reasonable steps to prevent and detect fraud; and
- secure the economical, efficient and effective management of the University's resources and expenditure.

The Governing Body is responsible for the maintenance and integrity of the corporate and financial information included on the university's web site. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of the Robert Gordon University (“the University”) for the year ended 31 July 2019 which comprise the Consolidated and University Statements of Comprehensive Income and Expenditure, the Consolidated and University Statements of Change in Reserves, the Consolidated and University Balance Sheets, 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 2019 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 2015 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by those charged with governance, such as in respect of the value of defined benefit pension obligations and the carrying value of fixed assets and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group’s future prospects and performance. Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Group and the University’s future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The University Board of Governors 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 University Board of Governors conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, 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 the 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, except 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.

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 The Robert Gordon University responsibilities

As explained more fully in their statement set out on pages 38-40, the Governing Body for the 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/auditorsresponsibilities

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 the 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 the 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 the 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
37 Albyn Place
Aberdeen
AB10 6ST
27 November 2019

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

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 2015 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 2019. 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 the Robert Gordon University Student Association as the University does not exert control or dominant influence over policy decisions.

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 23 to 25. The financial statements continue to be prepared on a going concern basis as the Board of Governors considers that the University has adequate financial resources to continue in operational existence for the foreseeable future.

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 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.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (CONTINUED)

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.

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.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (CONTINUED)

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 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.

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

Provisions are recognised in the financial statements when:

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

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

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 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' Superannuation Scheme as a multi-employer scheme (note 28) 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.

Consolidated Statement of Comprehensive Income and Expenditure

For the year ended 31 July 2019

	Notes	2019		2018	
		Group £'000	University £'000	Group £'000	University £'000
Income					
Tuition fees and education contracts	1	31,978	31,699	32,739	32,550
Funding body grants	2	44,542	44,542	43,158	43,158
Research grants and contracts	3	3,092	3,092	2,406	2,406
Other income	4	10,575	10,757	14,004	14,155
Investment income	5	397	396	264	268
Donations and endowments	6	1,359	1,359	812	812
Total income		91,943	91,845	93,383	93,349
Expenditure					
Staff costs	7	62,305	62,305	60,164	60,164
Other operating expenses	9	28,917	28,826	30,700	30,666
Depreciation and amortisation	12/13	7,370	7,370	8,004	8,004
Interest and other finance costs	8	1,486	1,486	5,865	5,865
Total expenditure	10	100,078	99,987	104,733	104,699
Deficit before other gains and losses		(8,135)	(8,142)	(11,350)	(11,350)
Loss on disposal of fixed assets		(5)	(5)	(10)	(10)
Gain on endowment investments	20	136	136	123	123
Gain on non-current investments	14	1,355	1,355	1,392	1,392
Other losses		0	0	(1,256)	(1,256)
Deficit before tax		(6,649)	(6,656)	(11,101)	(11,101)
Taxation	11	(11)	(4)	(4)	(4)
Deficit for the year		(6,660)	(6,660)	(11,105)	(11,105)
Actuarial (loss)/gain in respect of pension schemes	28	(29,067)	(29,067)	41,437	41,437
Change in fair value of hedging financial instruments	27e	0	0	1,023	1,023
Reclassification of hedging financial instrument		0	0	3,241	3,241
Total comprehensive (expenditure)/income for the year		(35,727)	(35,727)	34,596	34,596
Represented by:					
Endowment comprehensive income for the year		160	160	90	90
Unrestricted comprehensive (expenditure)/income for the year		(35,887)	(35,887)	34,506	34,506
		(35,727)	(35,727)	34,596	34,596

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

The notes on pages 57 to 70 form an integral part of these financial statements.

Consolidated and University Statement of Changes in Reserves

For the year ended 31 July 2019

Group	Income and Expenditure Account		
	Endowment Reserves £'000	Unrestricted Reserves £'000	Total £'000
Balance at 1 August 2017	2,060	154,848	156,908
Deficit from the income and expenditure statement	90	(11,195)	(11,105)
Other comprehensive income	0	45,701	45,701
Total comprehensive income for the year	90	34,506	34,596
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 31 July 2019	2,310	153,467	155,777
University	Income and Expenditure Account		
	Endowment Reserves £'000	Unrestricted Reserves £'000	Total £'000
Balance at 1 August 2017	2,060	154,731	156,791
Deficit from the income and expenditure statement	90	(11,195)	(11,105)
Other comprehensive income	0	45,701	45,701
Total comprehensive income for the year	90	34,506	34,596
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 31 July 2019	2,310	153,350	155,660

The notes on pages 57 to 70 form an integral part of these financial statements.

Consolidated and University Balance Sheet

For the year ended 31 July 2019

	Notes	2019		2018	
		Group £'000	University £'000	Group £'000	University £'000
Non-current assets					
Fixed assets	12	213,024	213,024	217,551	217,551
Intangible assets	13	3,092	3,092	2,702	2,702
Investments	14	19,846	19,946	18,406	18,506
		235,962	236,062	238,659	238,759
Current assets					
Stock		13	13	17	17
Trade and other receivables	15	6,495	6,980	5,395	6,034
Investments	16	7,273	7,273	7,078	7,078
Cash and cash equivalents	21	11,842	10,887	11,256	10,000
		25,623	25,153	23,746	23,129
Less: Creditors: amounts falling due within one year	17	(16,470)	(16,217)	(15,381)	(14,981)
Net current assets		9,153	8,936	8,365	8,148
Total assets less current liabilities		245,115	244,998	247,024	246,907
Creditors: amounts falling due after more than one year	18	(34,043)	(34,043)	(33,474)	(33,474)
Provision for liabilities					
Premature retirement compensation	19a	(7,877)	(7,877)	(7,375)	(7,375)
Pension scheme liability	19b	(47,418)	(47,418)	(14,671)	(14,671)
Total net assets		155,777	155,660	191,504	191,387

	Notes	2019		2018	
		Group £'000	University £'000	Group £'000	University £'000
Restricted Reserves					
Endowment reserve	20	2,310	2,310	2,150	2,150
Unrestricted Reserves					
Income and expenditure reserve		153,467	153,350	189,354	189,237
Total reserves		155,777	155,660	191,504	191,387

The notes on pages 57 to 70 form an integral part of these financial statements.

The financial statements were approved by the Governing Body on 27th November 2019 and were signed on its behalf on that date by:

M Fleming
Chair of the Board of Governors

M D McCall
Director of Finance

J Harper
Principal




Consolidated Statement of Cash Flows

For the year ended 31 July 2019

	Notes	2019	2018
		Group £'000	Group £'000
Cash flow from operating activities			
Deficit for the year		(6,660)	(11,105)
Adjustment for non-cash items			
Depreciation and amortisation	12/13	7,370	8,004
Decrease in stock		4	1
Increase in debtors	15	(1,100)	(455)
Increase in creditors < 1 year	17	1,356	1,849
Decrease in creditors > 1 year	18	(139)	(121)
Increase/(decrease) in early retirement provision	19a	502	(442)
Pension costs less contributions payable	19b	3,680	4,104
Decrease in other provisions	19c	0	(1,863)
Adjustment for investing or financing activities			
Investment income	5	(397)	(264)
Interest paid	8	1,122	1,325
Loan break costs	8	0	3,241
New endowments	20	(112)	(27)
Gain in non-current investments	14	(1,355)	(1,392)
Increase in current asset investments	16	(146)	(104)
Loss on disposal of fixed assets		5	10
Net cash inflow from operating activities		4,130	2,761
Cash flows from investing activities			
Proceeds from sales of fixed assets		12	0
Payments made to acquire fixed assets	12	(2,155)	(1,681)
Fixed assets written off	12	0	47
Payments made to acquire intangible assets	13	(1,095)	(1,568)
Disposal of non-current asset investments	14	0	400
Additions of non-current asset investments	14	(85)	(468)
Placing of deposits	16	(49)	(21)
Investment income	5	397	264
Net cash outflow from investing activities		(2,975)	(3,027)
Cash flows from financing activities			
Interest paid	8	(1,122)	(1,325)
Loan break costs	8	0	(3,241)
Capital element of finance lease	18	0	(8)
Capital element of loan repayments	18	(9)	(29,294)
New loans	18	450	32,396
New endowments	20	112	27
Net cash outflow from financing activities		(569)	(1,445)
Increase/(decrease) in cash and cash equivalents for the year		586	(1,711)
Cash and cash equivalents at beginning of the year	21	11,256	12,967
Cash and cash equivalents at end of the year	21	11,842	11,256

The notes on pages 57 to 70 form an integral part of these financial statements.

Notes to the Accounts

For the year ended 31 July 2019

1. Tuition Fees and Education Contracts	2019		2018	
	Group £'000	University £'000	Group £'000	University £'000
Scotland home domicile fees	15,522	15,499	15,214	15,214
EU domicile fees	2,180	2,180	2,252	2,252
RUK domicile fees	2,120	2,120	2,183	2,183
Non-EU domicile fees	11,251	11,230	12,046	12,046
Non-credit bearing course fees	905	670	1,044	855
	31,978	31,699	32,739	32,550
2. Funding Body Grants				
General Fund - Teaching	34,170	34,170	33,639	33,639
General Fund - Research	2,281	2,281	2,025	2,025
Ring fenced grants Scottish Government	6,836	6,836	6,353	6,353
Strategic funding	328	328	308	308
Capital maintenance grants	927	927	833	833
	44,542	44,542	43,158	43,158
3. Research Grants and Contracts				
Research Councils	444	444	342	342
UK based charities	129	129	126	126
European Commission	333	333	335	335
UK Government	559	559	494	494
Other grants and contracts	1,627	1,627	1,109	1,109
	3,092	3,092	2,406	2,406
4. Other Income				
Residences & Catering	5,402	5,402	8,286	8,286
Other services rendered	3,335	3,319	3,466	3,447
Other income	1,838	2,036	1,702	1,872
Capital grants	0	0	550	550
	10,575	10,757	14,004	14,155
5. Investment Income				
Investment income on endowments	26	26	12	12
Other investment income	371	370	252	256
	397	396	264	268
6. Donations and Endowments				
Unrestricted donations	1,359	1,359	812	812
	1,359	1,359	812	812
7. Staff Costs				
Salaries	46,323	46,323	45,262	45,262
Social security costs	4,754	4,754	4,624	4,624
Employers pension contributions	7,998	7,998	7,747	7,747
Pension past service cost	1,172	1,172	0	0
Pension cost less contributions payable	2,058	2,058	2,531	2,531
	62,305	62,305	60,164	60,164

Notes to the Accounts (continued)

For the year ended 31 July 2019

7. Staff Costs (continued)	2019		2018	
	Group £'000	University £'000	Group £'000	University £'000
Analysis of staff costs by activity:				
Academic - Teaching departments	36,647	36,647	35,181	35,181
Academic - Teaching services	5,885	5,885	5,805	5,805
Research grants and contracts	1,462	1,462	1,289	1,289
Administration and central services	9,881	9,881	9,909	9,909
Premises	2,836	2,836	3,054	3,054
Catering and residences	826	826	884	884
Other services rendered	1,554	1,554	1,489	1,489
Other expenditure	3,214	3,214	2,553	2,553
	62,305	62,305	60,164	60,164
Average staff numbers by category:				
	Fte No.		Fte No.	
Academic - Teaching departments	654		639	
Academic - Teaching services	136		132	
Research grants and contracts	27		29	
Administration and central services	183		192	
Premises	102		98	
Catering and residences	27		33	
Other services rendered	51		36	
	1,180		1,159	
Remuneration of the Principal:				
	£		£	
Salary	196,350		237,716	
Benefits in kind	6,103		2,550	
Pension contributions	27,632		40,887	
Remuneration relating to year	230,085		281,153	
Termination payment	0		237,716	
Total	230,085		518,869	
The remuneration of the Principal disclosed for 2019 is 11 months relating to Professor Harper from the date of appointment on 1 September 2018. 2018 comprises 12 months of Professor von Prondzynski. In addition to the remuneration disclosures above, Professor von Prondzynski received remuneration of £24,292 for the month of August 2018. The remuneration of the Principal, comprising salary, benefits in kind & pension contribution is 6.21 times (2018: 7.16 times, 13.21 times including termination payment) 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	4		1	
£120,000 - £129,999	2		3	
£130,000 - £139,999	0		1	
£140,000 - £149,999	1		0	
£160,000 - £169,999	0		1	
£200,000 - £209,999	1		1	
	8		7	

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 2019 (including employers pension contributions) was £850k (2018: £1,251k)

Compensation for loss of office

A contractual compensation for loss of office payment of £40,099 was made to one individual during 2018/19. In the prior year, the termination payment made to the former Principal comprised a contractual notice payment of £154,802 and a non-contractual compensation for loss of office payment of £82,914. There were no other prior year payments for compensation for loss of office.

Remuneration of Governing body

None of the members of the Governing body received remuneration from the University for acting as Board members (2018:None)

Notes to the Accounts (continued)

For the year ended 31 July 2019

8. Interest & Other Finance Costs

	2019		2018	
	Group £'000	University £'000	Group £'000	University £'000
Loan interest	1,122	1,122	1,325	1,325
Loan break costs (note 27)	0	0	3,241	3,241
Net charge on pension scheme	364	364	1,299	1,299
	1,486	1,486	5,865	5,865

9. Other Operating Expenses by Activity

	2019		2018	
	Group £'000	University £'000	Group £'000	University £'000
Academic - Teaching departments	5,651	5,569	5,706	5,706
Academic - Teaching services	3,734	3,734	3,294	3,294
Research grants and contracts	1,185	1,185	766	766
Administration & central services	4,566	4,557	4,937	4,903
Premises	5,186	5,186	4,889	4,889
Catering and residences	4,473	4,473	7,463	7,463
Other services rendered	2,432	2,432	2,161	2,161
Other expenditure	1,690	1,690	1,484	1,484
	28,917	28,826	30,700	30,666

Other operating expenses include:

Auditor's remuneration (ex vat):				
External Audit - audit services	56	51	41	37
External Audit - non-audit services	99	99	47	47
Internal Audit - audit services	45	45	44	44
Provision for premature retirement compensation	1,067	1,067	111	111
Grants to Student Association	493	493	486	486

Non-audit services paid by the Group to the external auditors in the current year comprise £7k (2018: £5k) for other assurance services and £92k (2018: £42k) 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 2019 £'000	Year Ended 31 July 2018 £'000
Academic - Teaching departments	36,647	5,651	515	1,038	43,851	45,969
Academic - Teaching services	5,885	3,734	1,250	0	10,869	10,160
Research grants and contracts	1,462	1,185	49	0	2,696	2,104
Administration & central services	9,881	4,566	209	0	14,656	15,039
Premises	2,836	5,186	4,486	0	12,508	13,205
Catering and residences	826	4,473	500	0	5,799	8,822
Other services rendered	1,554	2,432	361	84	4,431	4,098
Other expenditure	3,214	1,690	0	364	5,268	5,336
	62,305	28,917	7,370	1,486	100,078	104,733

11. Taxation

	2019		2018	
	Group £'000	University £'000	Group £'000	University £'000
Current tax				
Current tax expense	0	0	0	0
Withholding tax	11	4	4	4
	11	4	4	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 2019

12. Fixed Assets

Group	Land and Buildings	Fixtures, Fittings and Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2018	230,518	29,063	1,118	260,699
Additions	142	1,697	316	2,155
Transfers between categories	79	11	(90)	0
Disposals	(27)	(272)	0	(299)
At 31 July 2019	230,712	30,499	1,344	262,555
Consisting of valuation as at:				
31 July 2014	216,135	0	0	216,135
Cost	14,577	30,499	1,344	46,420
At 31 July 2019	230,712	30,499	1,344	262,555
Depreciation				
At 1 August 2018	19,819	23,329	0	43,148
Charge for the year	4,864	1,806	0	6,670
Disposals	(15)	(272)	0	(287)
At 31 July 2019	24,668	24,863	0	49,531
Net book value at 31 July 2019	206,044	5,636	1,344	213,024
Net book value at 31 July 2018	210,699	5,734	1,118	217,551

University	Land and Buildings	Fixtures, Fittings and Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000
Cost and valuation				
At 1 August 2018	230,518	29,063	1,118	260,699
Additions	142	1,697	316	2,155
Transfers between categories	79	11	(90)	0
Disposals	(27)	(272)	0	(299)
At 31 July 2019	230,712	30,499	1,344	262,555
Consisting of valuation as at:				
31 July 2014	216,135	0	0	216,135
Cost	14,577	30,499	1,344	46,420
At 31 July 2019	230,712	30,499	1,344	262,555
Depreciation				
At 1 August 2018	19,819	23,329	0	43,148
Charge for the year	4,864	1,806	0	6,670
Disposals	(15)	(272)	0	(287)
At 31 July 2019	24,668	24,863	0	49,531
Net book value at 31 July 2019	206,044	5,636	1,344	213,024
Net book value at 31 July 2018	210,699	5,734	1,118	217,551

Notes to the Accounts (continued)

For the year ended 31 July 2019

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 2019	6,764	0	0	6,764
Net Book Value at 31 July 2018	7,001	0	0	7,001

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 (Amortised over 5 years)			
Cost	At 1 August 2018	6,110	6,110
	Additions	1,095	1,095
	Disposals	(194)	(194)
	At 31 July 2019	7,011	7,011
Amortisation	At 1 August 2018	3,408	3,408
	Amortisation for year	700	700
	Disposals	(189)	(189)
	At 31 July 2019	3,919	3,919
Net book value At 31 July 2019		3,092	3,092
Net book value	At 31 July 2018	2,702	2,702

14. Non-Current Investments

	Subsidiary	Listed	Spinouts	Total
	£'000	£'000	£'000	£'000
Group				
At 1 August 2018	0	18,311	95	18,406
Additions	0	85	0	85
Disposals	0	0	0	0
Investment gains	0	1,355	0	1,355
At 31 July 2019	0	19,751	95	19,846
University				
At 1 August 2018	100	18,311	95	18,506
Additions	0	85	0	85
Disposals	0	0	0	0
Investment gains	0	1,355	0	1,355
At 31 July 2019	100	19,751	95	19,946

Notes to the Accounts (continued)

For the year ended 31 July 2019

14. Non-Current Investments (continued)	2019		2018	
	Group	University	Group	University
	£'000	£'000	£'000	£'000
Investments in spinout companies:				
CVCP Properties PLC	29	29	29	29
Celerum Ltd	66	66	66	66
	95	95	95	95

15. Trade and Other Receivables

Amounts falling due within one year:				
Trade receivables	1,049	820	1,169	1,169
Debts from students	685	685	968	843
Prepayments and accrued income	4,761	4,758	3,258	3,250
Amounts owed by group undertakings	0	717	0	772
	6,495	6,980	5,395	6,034

16. Current Investments

Equities	1,764	1,764	1,643	1,643
Fixed interest stocks	355	355	330	330
Bank deposits	5,154	5,154	5,105	5,105
	7,273	7,273	7,078	7,078

17. Creditors: Amounts Due Within One Year

Unsecured loans (Note 18a)	129	129	396	396
Social security and taxation payable	2,310	2,310	2,279	2,279
Trade payables	1,544	1,544	1,675	1,675
Other creditors and accruals	5,939	5,938	5,603	5,566
Deferred income	6,548	6,296	5,428	5,065
	16,470	16,217	15,381	14,981

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	113	113	405	405
Research grants received on account	1,005	1,005	471	471
Grant income	701	701	54	54
Other income	0	0	2	2
	1,819	1,819	932	932

Notes to the Accounts (continued)

For the year ended 31 July 2019

18. Creditors: Due After More Than One Year	2019		2018	
	Group	University	Group	University
	£'000	£'000	£'000	£'000
Unsecured loans (Note 18a)	32,708	32,708	32,000	32,000
Obligations under finance leases (Note 18b)	0	0	0	0
Other creditors	1,335	1,335	1,474	1,474
	34,043	34,043	33,474	33,474

Bank loans and finance leases are repayable as follows:**a) Analysis of unsecured loans:**

Due within one year (Note 17)	129	129	396	396
Due between one and two years	129	129	0	0
Due between two and five years	354	354	0	0
Due in five years or more	32,225	32,225	32,000	32,000
	32,837	32,837	32,396	32,396

b) Analysis of obligations under finance leases:

Due within one year (Note 17)	0	0	0	0
Due between one and two years	0	0	0	0
Due between two and five years	0	0	0	0
	0	0	0	0

Total bank loans and finance leases	32,837	32,837	32,396	32,396
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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

£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

19. Provision For Liabilities	2019		2018	
	Group	University	Group	University
	£'000	£'000	£'000	£'000
a) Premature Retirement Compensation				
At 1 August	7,375	7,375	7,817	7,817
Expenditure in period	(506)	(506)	(494)	(494)
Revaluation adjustment	1,022	1,022	(1)	(1)
Notional interest	(14)	(14)	53	53
At 31 July	7,877	7,877	7,375	7,375

A valuation of the pension provision was carried out by Mercer Limited, an independent firm of actuaries, at 31 July 2019.

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	14,671	14,671	52,004	52,004
Net interest cost	364	364	1,299	1,299
Administration expenses	86	86	82	82
Remeasurements	29,067	29,067	(41,437)	(41,437)
Past service cost	1,172	1,172	0	0
Curtailments	0	0	192	192
Current service cost less contributions paid	2,058	2,058	2,531	2,531
At 31 July	47,418	47,418	14,671	14,671

Notes to the Accounts (continued)

For the year ended 31 July 2019

19. Provisions For Liabilities (continued)	2019		2018	
	Group	University	Group	University
	£'000	£'000	£'000	£'000
C) Other - Onerous leases				
At 1 August	0	0	1,863	1,863
Provided during year	0	0	0	0
Released during year	0	0	(1,863)	(1,863)
At 31 July	0	0	0	0

The University made a provision in 2017 in relation to external student accommodation contractual obligations for which capacity was in excess of forecast demand, the provision was released in 2018.

20. Endowment Reserves

Group & University	Permanent	Expendable	2019	2018
	Endowments	Endowments	Total	Total
	£'000	£'000	£'000	£'000
At 1 August	2,145	5	2,150	2,060
New endowments	0	112	112	27
Investment income	26	0	26	12
Expenditure for year	(37)	(77)	(114)	(72)
Increase in market value	136	0	136	123
At 31 July	2,270	40	2,310	2,150

Analysis by asset:

Current asset investments	2,119	1,973
Cash	191	177
	2,310	2,150

21. Cash And Cash Equivalents

Group	At 1st August	Cash	At 31st July
	2018	Flows	2019
	£'000	£'000	£'000
Cash at bank and in hand	11,079	572	11,651
Endowment assets	177	14	191
	11,256	586	11,842

University

Cash at bank and in hand	9,823	873	10,696
Endowment assets	177	14	191
	10,000	887	10,887

22. Capital And Other Commitments

Committed and contracted expenditure remaining at end of year.	2019		2018	
	Committed	Contracted	Committed	Contracted
	£'000	£'000	£'000	£'000
Major construction works	0	0	0	0
Other works	173	56	47	86
	173	56	47	86

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

Notes to the Accounts (continued)

For the year ended 31 July 2019

23. Operating Lease Commitments Group & University	Land and Buildings	Plant and Machinery	2019	2018
	£'000	£'000	Total £'000	Total £'000
Amounts paid during the year	879	104	983	981
Future minimum lease payments due:				
Not later than 1 year	897	105	1,002	992
Later than 1 year & not later than 5 years	3,770	117	3,887	3,896
Later than 5 years	3,287	3	3,290	4,258
Total lease payments due	7,954	225	8,179	9,146

24. Amounts Disbursed As Agent Group & University	Discretionary Fund	Childcare Fund	Nursing Fund	2019	2018
	£'000	£'000	£'000	Total £'000	Total £'000
Balance brought forward	0	0	0	0	0
Allocation received in the year	144	442	65	651	645
Expenditure for year	(120)	(466)	(65)	(651)	(645)
Virements	(24)	24	0	0	0
Repaid to funding body	0	0	0	0	0
Excess of income over expenditure carried forward	0	0	0	0	0

25. 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 £841k (2018: £198k) from The Wood Foundation, of which £257k (2018: £198k) was receivable at 31 July 2019. During the year the University received £79k (2018: £7k) from the Oil and Gas Technology Centre, £72k (2018: £Nil) from ONE Digital and Entrepreneurship Limited and £nil (2018: £31k) from Opportunity North East Limited. The University paid ONE Digital and Entrepreneurship Limited £450k as a lease premium for accommodation at Schoolhill Aberdeen.

26. 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.

Notes to the Accounts (continued)

For the year ended 31 July 2019

27. Financial Instruments**a) Risk management**

The University operates a centralised treasury management function which is responsible for managing the credit, liquidity, interest and foreign currency 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.

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 2018, 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's 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 previously held loans that had an interest swap liability. The loans were repaid in the previous financial year following a debt restructure. The year to 31st July 2018 recorded a decrease in liability of £1,023k following the repayment. The University holds no other hedging financial instruments.

Notes to the Accounts (continued)

For the year ended 31 July 2019

27. Financial Instruments (continued)**f) Financial assets and liabilities**

	2019		2018	
	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)	19,751	19,751	18,311	18,311
- Current asset investments (note 16)	7,273	7,273	7,078	7,078
- Cash (note 21)	11,842	10,887	11,256	10,000
Assets measured at cost less impairment (note 15)	6,495	6,980	5,395	6,034
Liabilities (excluding loans) measured at amortised cost (note 17)	7,483	7,482	7,278	7,241
Loan commitments measured at cost less impairment (note 18)				
- Loans	32,837	32,837	32,396	32,396
- Finance lease obligations	0	0	0	0

The fair value of financial assets is determined by reference to their quoted bid price at the balance sheet date.

Notes to the Accounts (continued)

For the year ended 31 July 2019

28. Pension Schemes**1) Scottish Teachers' Pension Scheme**

The 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.

The 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 The 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 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.

The Robert Gordon University level of participation in the scheme is 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 £3,813k (2018: £3,773k) and at 31 July 2019 £310k was outstanding (2018: £312k).

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).

Notes to the Accounts (continued)

For the year ended 31 July 2019

28. Pension Schemes (continued)**2) North East Scotland Pension Fund (continued)**

Financial assumptions used by the actuary at the end of the accounting period	2019	2018
	%	%
Rate of CPI inflation	2.2	2.1
Rate of increase in salaries	*3.7	*3.6
Rate of increase in pensions	2.3	2.2
Discount rate	2.2	2.9

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

Post retirement mortality assumptions (normal health)

Non-retired members	S2PA CMI 2015 (1.75%) 100% Male	S2PA CMI 2015 (1.75%) 100% Male
	S2PA CMI 2015 (1.5%) 90% Female	S2PA CMI 2015 (1.5%) 90% Female
Retired members	S2PA CMI 2015 (1.75%) 103% Male	S2PA CMI 2015 (1.75%) 103% Male
	S2PA CMI 2015 (1.5%) 98% Female	S2PA CMI 2015 (1.5%) 98% Female

Life expectancy		2019	2018
		Years	Years
Future pensioner age 65 in 20 years time	Males	25.8	25.6
	Females	28.1	27.9
Current pensioner age 65	Males	22.9	22.7
	Females	25.0	24.9

Asset allocation	2019		2018	
	£'000	%	£'000	%
Equities	97,888	60.1	97,608	63.6
Government bonds	9,610	5.9	11,664	7.6
Other bonds	1,955	1.2	1,995	1.3
Property	12,379	7.6	16,421	10.7
Cash/liquidity	9,121	5.6	4,297	2.8
Other	31,924	19.6	21,486	14.0
	162,877		153,471	

Analysis of the amount shown in the balance sheet	2019	2018
	£'000	£'000
Fair value of plan assets	162,877	153,471
Present value of benefit obligations	(210,295)	(168,142)
Net pension liability	(47,418)	(14,671)

Components of pension expense recognised in I&E

Current service cost	6,316	6,721
Net interest cost	364	1,299
Administration expenses	86	82
Past service cost	1,172	0
Curtailements	0	192
Total expense recognised in I&E	7,938	8,294

Statement of other comprehensive income

Remeasurements (assets and liabilities)	(29,067)	41,437
Total remeasurements included in SOCI	(29,067)	41,437

Notes to the Accounts (continued)

For the year ended 31 July 2019

28. Pension Schemes (continued)**2) North East Scotland Pension Fund (continued)**

	2019	2018
	Group	Group
	£'000	£'000
Change in benefit obligation		
Benefit obligation at beginning of year	168,142	184,191
Current service cost	6,316	6,721
Interest on pension liabilities	4,846	4,762
Member contributions	1,400	1,359
Past service cost	1,172	0
Remeasurements - experience loss/(gain)	0	(12,323)
Remeasurements - loss/(gain) on assumptions	31,941	(13,244)
Curtailements	0	192
Benefits / transfers paid	(3,522)	(3,516)
Benefit obligation at end of year	210,295	168,142
Change in plan assets		
Fair value of plan assets at beginning of year	153,471	132,187
Interest on plan assets	4,482	3,463
Remeasurements (assets)	2,874	15,870
Administration expenses	(86)	(82)
Employer contributions	4,258	4,190
Member contributions	1,400	1,359
Benefits / transfers paid	(3,522)	(3,516)
Fair value of plan assets at end of year	162,877	153,471
Actual return on plan assets	7,357	20,917

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 2019/20 is £4,258k. The decisions of the Court of Appeal in the Sargeant/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 2019, based on the individual member data held in the 31 March 2017 triennial actuarial valuation. This has resulted in accrual of a past service cost of £1,172k in the 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 are already equalised and indexed fully in line with CPI. GMP has not yet been equalised for affected members reaching State Pension Age after 5 April 2021. HM Treasury have 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 have yet to confirm which of these approaches will apply. Pending this determination, at 31 July 2019, no additional liability has yet been recognised for indexation and equalisation of GMPs beyond 2021. The potential additional liability for this further equalisation is not estimated 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.



ANNUAL REPORT & FINANCIAL STATEMENTS



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