

# Heriot-Watt University Student Union

Trustees' report and financial statements

31 July 2022

Charity number SC011949

Company number SC504788

## Contents

	Page
Union information	1
Trustees' report	2
Trustees' responsibilities	9
Independent auditor's report	10
Statement of financial activities (incorporating the income and expenditure account)	14
Balance sheet	15
Statement of cash flows	16
Notes to the financial statements	17

## Union information

### Reference and administrative details

Registered charity number	SC011949
Company number	SC504788
Registered office	Riccarton, Edinburgh EH14 4AS
Auditors	Henderson Loggie LLP 11-15 Thistle Street, Edinburgh EH2 1DF
Bankers	Royal Bank of Scotland 239 St. John's Road, Edinburgh EH12 7XA
Solicitors	Turcan Connell Princes Exchange, 1 Earl Grey Street, Edinburgh EH3 9EE
Chief Executive Officer	Darrin Nightingale

### Trustee Board

The trustees, who are also the directors for the purpose of company law, and who served during the financial year and up to the date of approval of the financial statements were:

Fiona Fox (resigned 19/01/2023)  
Paul Travill  
Kathleen Patterson  
Stephanie Harper  
Linda Rogers  
Andrew Grant (appointed 01/06/2022)  
Sheree Mackay (appointed 19/01/2023)

President (*ex-officio*) – as detailed below

Vice-Presidents (*ex officio*) – as detailed below

### Ex-officio trustees for 2022

<b>President</b>	Sanjit Krishnakumar	(Appointed 01/06/2022)
<b>Vice-Presidents</b>		
- Community	Scott Anderson	(Appointed 01/06/2022)
- Wellbeing	Georgia Noble	(Appointed 01/06/2022)
- Education	Molly Knight	(Appointed 01/06/2022)

### Ex-officio trustees for 2021

<b>President</b>	Emily King	(Appointed 01/06/20, resigned 31/05/2022)
<b>Vice-Presidents</b>		
- Community	Shana Faraghat	(Appointed 01/06/2021, resigned 31/05/2022)
- Wellbeing	Francesca Hulme	(Appointed 01/06/2021, resigned 19/01/2022)
- Education	Hannah Copeland	(Appointed 01/06/2021, resigned 31/05/2022)

## **Trustees' report**

The trustees have pleasure in presenting their report for the period ended 31 July 2022. This report is prepared in accordance with the recommendations of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) and in accordance with applicable law.

### **Structure, management and governance**

#### **Governing documents**

Heriot-Watt University Students Association is constituted under the Charter of Heriot-Watt University since 1966. The Association is a Charitable Company Limited by Guarantee registered in Scotland. Our charity number is SC011949, and company number is SC504788. The organisation has adopted the name Heriot-Watt University Student Union (the Union).

#### **Appointment of Trustees**

The four Full Time Officers are elected annually by the students attending the university UK campuses, both undergraduate and postgraduate. They take up office on 1 June to the following 31 May, though may choose to stand down early, they are also Trustees of the charity. There are up to two student Trustees appointed by the Trustee Board following an open recruitment process who can hold office for 2 years with a further 2-year re-appointment. There is one university appointed Trustee who is nominated by the university and ratified by the Board. There are up to six and no less than three external Trustees, one of whom must be an alumnus of the university. External Trustees are recruited by the Board and may serve a maximum of two consecutive 4-year periods.

#### **Organisational structure**

The Union Articles of Association and Bye Laws set out the organisation's membership-led structure. In order to ensure the charity is properly run and suitably focused on our membership the charity employs key management personnel. The charity considered the four Full Time Officers and Senior Management Team as key management. Full Time Officer remuneration is set by benchmarking against other Scottish student associations. Full Time Officers are auto enrolled into a pension scheme as appropriate.

The Senior Management Team consists of the Chief Executive Officer, Deputy Chief Executive, Chief Financial Officer and Student Engagement Manager. The Union uses the Higher Education Role Analysis (HERA) method to assess grades within the Union staff structure. All Senior Manager cost of living increases are assessed using the Union Pay and Reward Policy.

## **Trustees' report** *(continued)*

### **Objectives and activities**

The objectives of the Union as set out in its governing document, are:

- The advancement of education of students at Heriot-Watt University by representing, supporting, advising and promoting the interests, health and welfare of students within the University during their course of study and within the wider community, and by promoting student participation in, facilitating, coordinating and developing, the services, projects and activities of the Union.
- The provision of recreational activities through these services, projects and activities of the University providing social, cultural and recreational activities and forums from discussions and debate for the personal development of its Students.
- The advancement of community development within the University and within the wider community through student participation in the Union and its services, projects and activities, and by facilitating the involvement of students in the wider community.
- The relief of the student needs by being the recognised representative channel between students and Heriot-Watt University, other academic organisations, the general public and any other external bodies and promoting social and academic unity among students of the University.

### **Decision making**

The Trustee Board delegates day to day management powers to the Chief Executive Officer who is required to report regularly to the Trustee Board.

Senior Managers are allowed to make non-routine financial decisions up to the value of £10,000. The Chief Executive Officer has power to make non-routine financial decisions up to the value of £20,000 and any amount above this must be approved by the Trustees.

The Trustee Board are responsible for agreeing any amendments to any policy and procedure relating to employees and financial structures. The Student Parliament are responsible for passing policy on campaign issues. The SMT are responsible for advising both committees on the fulfilment of these responsibilities.

In May 2022, the Trustee Board updated its terms of reference, following a review. The new Terms of Reference outline the remit, responsibility, and business of the Board. The terms also stipulate that the board review its performance and that of individual members in May each year.

### **Trustee induction**

The Union provides all new Trustees with an induction. The induction covers:

- Legal responsibilities of Trustees
- An introduction to the structure of the Union
- Current financial position of the Union and an introduction to the format of our management accounts
- The Strategic Plan
- Union policy
- Code of Conduct

## **Trustees' report** *(continued)*

### **Achievements and performance**

Our strategic plan 2019 – 2025 outlines our one simple purpose: students first, always. To do this we have a few important values. We are student-focused, fun, brave, welcoming, and empowering.

Our goal is to make sure students have the best student experience while at Heriot-Watt University. To do this we have three strategic themes that focus our activity:

- Your university experience is more than your course
- We offer a place for everyone to belong
- We actively listen and offer support when you need it

As we complete another year with the global pandemic still affecting people's lives, the Student Union has continued to adapt the way we support students, particularly given the new and changing requirements of students whether they are on campus, working remotely or a hybrid of the two.

The Union has represented and supported students with proposed changes to their university academic experience. We have encouraged and empowered students to set up new societies and have grown our society engagement.

We continue to see an increase in student's need for wellbeing services and advice, with our Advice Hub supporting students more complex and time-consuming issues. The independent support we can provide students is invaluable in the current climate.

We have adapted some of our services and have commenced a strategic review to meet the needs of a new and changing student population that consists of a high number of Generation Z students. The Trustee Board, Staff, Senior Management Team and Stakeholders have been informed by bespoke research, analysis of three years of 'The Big Ask' survey and feedback.

There has been much activity in our three core areas: Academic, Community and Wellbeing.

### **Academic**

It has been another challenging year for students, with uncertainty from the beginning around what learning, and teaching would look like over the academic year as the University adapted to changing government guidelines and recommendations.

The Academic Representatives have worked incredibly hard to address and escalate the concerns of students, from the length of time for online exams to study spaces .

### **Exams**

Over this past academic year, one of the recurring topics raised by students was the exam format. The 24-hour window take home open book exams presented a unique set of challenges for students and guidance was tailored to suit this. With exams reverting from 24-hour take-home exams to 2/3 hour take home exams, students were concerned regarding how they would perform with the change. Working with the University the Union ensured that exams were appropriate and additional support for the transition was available.

## **Trustees' report** *(continued)*

### **Academic Integrity**

This year saw an increase in cases of academic misconduct over the past academic year which needs addressed in the interest of degree integrity. The Union has represented the needs of the students to put in place appropriate measures to tackle academic misconduct, including research into why it can happen and investigating if there are any additional streams of support that could be offered to students.

### **Academic Congress**

The Union held two Academic Congress meetings over this Academic Year, discussing a range of academic issues. Academic Congress has been a valuable & successful way for representatives and students to give feedback to the Student Union and the University.

### **Community**

#### **Our Societies**

After two years of Covid-19 restrictions there was a welcomed increase in Society opportunities for our students. At present, we have 72 societies affiliated with the Student Union, including 4 at our Scottish Borders Campus. As well as an increased number of societies, we have seen an increase of more than 500 society members since last year (1267 in 2021, compared to 1781 in 2022). This equates to 18% of all UK Heriot-Watt students being involved in at least one society.

Prioritising society support after a difficult period of operating online has been a key part of the Union's work this year. Working alongside the student body in Dubai and Malaysia, a digital channel was launched bringing together all five campuses, their societies, and their clubs on a single platform. Societies have played a key role in rebuilding our student communities at Heriot-Watt, showing nothing but passion and resilience with all the work they put into their events and activities, from sustainability and cultural events to educational and networking opportunities for students.

#### **Volunteering**

The Union's volunteers are once again hugely committed to enhancing the Heriot-Watt experience for all students. This has also extended to the wider community, seeing students make efforts to volunteer in Covid vaccination centres, fundraise for local causes such as the Scottish Huntington's Association and work with organisations such as the Boy's Brigade and the Royal Air Force Cadets Unit. Since 1 September 2021, we have seen 217 students log 10,857 hours of volunteering with the Student Union. This is an increase of around 2000 hours compared to last year.

#### **MATES**

It has been another successful year for MATES, the Student Union's peer-support scheme which aims to tackle isolation and loneliness in Heriot-Watt students. Although open to all students, there has been a particularly strong uptake in the scheme for international postgraduate taught students.

#### **Community Engagement**

Providing a safe transition back to on-campus events was a key priority for welcoming our students in the current year. In addition to a more traditional in person Freshers Week the Union provided a number of standout community events during the year. For this year's Watt Welcome Fair during Freshers Week, we once again collaborated with the Sports Union to deliver a successful showcase of our Societies and Sports Clubs for both Edinburgh & SBC students.

After the winter holiday break, the Union once again had to adapt to new COVID guidelines, changing all in-person Refreshers events to run virtually. We also extended the period of Refreshers to ensure every new student had an opportunity to meet and engage with other students.

## **Trustees' report** *(continued)*

### **Community Engagement (continued)**

In line with COP26, the Student Union held Sustainability Week, with the highest engagement yet received from societies coming together to tackle climate change. Alongside events held by societies, the Student Union ran over 15 events including a range of hybrid online and in-person speaker workshops, a vintage clothing sale, daffodil planting on campus with Res Life, tree planting off-campus and organised groups to attend the climate strikes in Glasgow. Sustainability Week was also successfully aligned with the Malaysia campus, engaging students in sustainability with a global perspective.

The legacy of the sustainability drive has been the introduction of Ecosia on Campus campaign, which strived to encourage students and the university to implement an institutional switch to a sustainable web search engine and make an impactful step into a positive sustainability change. Ecosia is an eco-friendly search engine that helps offset carbon emission with all its revenue going towards planting trees. As of January 2022, Heriot-Watt became the 4th university in Scotland to switch to Ecosia on all their PCs on campus.

Global Day 2022 was in February back in the Student Union Building. Global Day is an opportunity for Heriot-Watt to celebrate and highlight our diverse students on campus. We had 15 countries represented by students from every corner of the globe including Italy, Spain, Norway, Russia, Egypt, Nigeria, and Iran coming together to share their cultures.

### **Black Voices Project**

The Black Voices Project continues to be led by HW Union to increase the awareness of the additional challenges facing Black and Minority Ethnic (BME) students across the Scottish campuses. In addition to addressing decolonisation of the curriculum and celebrating different cultures, the project focuses on creating safe spaces for the discussion of race, racism, and racial equality. The awarding gap also continues to be a large focus for the project, with increased opportunities improving the overall student experience.

### **Wellbeing**

#### **Advice Hub**

The Advice Hub has continued to respond to a high number of enquiries, a new Case Management System has been implemented which will allow the Union to gain better insight into the issues students are facing and equip us to adapt our services to meet their needs.

The Advice Hub continues to support students in person on campus, around the world using Teams, or by email. The queries from students continue to be complex in nature, for example what appears a simple process question can also identify the need for financial, housing, counselling, and visa advice. This complexity of need has grown throughout the time impacted by the pandemic.

### **Equality & Diversity Forum**

This year, the Student Union held its first-ever Equality and Diversity Forum. This event revolved around listening, supporting, and bettering Equality & Diversity for students by inviting relevant guest speakers to speak on and cover different sectors within Wellbeing. The event was successful in promoting conversation with students raising key issues affecting their student experience. This feedback will inform future engagement & representation.

### **Union Elections**

This year 39 students ran in the elections for our Scottish Campuses. Interest in running for roles was high, initially we had 28 students across our Full-time Officer positions, and 30 students across our voluntary roles expressing an interest.

## **Trustees' report** *(continued)*

### **Union Elections (continued)**

Training and support was provided to candidates with workshops to improve their campaigns as a whole and time with the current officers for insight & advice. During the election period in person campaigning ran alongside online activity.

This year 15.2% of students voted in the elections, which is the second highest Union election turnout in Scotland.

Feedback from candidates showed that through taking part in the elections, they improved key skills including networking, communication, marketing, organisation, influencing, leadership, and teamwork.

### **Financial review**

The principal funding sources of the charity come from our commercial activity and the block grant received from the university. The value of our block grant has been the subject of negotiation in the current year and has seen an uplift which has supported us in the current uncertain climate.

The current year, as a result of the changing Covid landscape and the current economic climate have proved challenging particularly for our commercial activities. Through this period the organisation has sought to mitigate costs wherever possible and to take advantage of continued Government support schemes available to organisations. As a result of these prudent measures, the impact on the underlying reserves position of the Union has been controlled as far as possible, whilst mitigating any long-term harm on the services we provide to students.

### **Reserves Policy**

The Union aims to hold sufficient reserves to fund its student support activities for a period of at least six months. This means that we should hold sufficient cash reserve to cover salaries and overheads for the charitable activity of the Union for six months.

At 31 July 2022, the Union had a surplus on reserves of £845,093 (2021: surplus of £580,593) after recognising the pension provision of £Nil (2021: £276,000). Given the Union does not have direct control over the pension scheme, the asset is restricted to a £nil position in the financial statements under the requirements of the Charities SORP. With unrestricted reserves not tied up in fixed assets totalling £439,365 (2021: £419,303). The board has deemed the level of reserves to be adequate to meet our charitable activity for six months. The union has a reserves policy that enables the union release cash reserves for investment. We currently do not have any plans to release any reserves.

### **Risk Management**

The Trustees have assessed the major risks to which the Union is exposed, in particular those related to the operations and finances of the Union and are satisfied that systems are in place to mitigate our exposure to risk. The Trustees meet regularly and review all aspects of operations and finances with reference to financial reports and future forecasts. The Trustees formally review the risk register annually in September. However, due to the rapidly changing risks in the current economic climate, the board reviewed the risk register as required.

The Union building continues to present our most pressing strategic and operational risk. Unfortunately, the financial impact of Covid-19 and the ongoing economic environment has resulted in the new Student Life Building plans being delayed. The current Student Union building, while not fit for purpose, will enable the Union to continue providing services at its current level, rather than be able to grow to meet our ambition and our students' needs.

### **Disclosures required by the Educational Act 1994**

#### *Affiliations*

The Union was affiliated to the following organisations during 2021/22

National Union of Students (NUS) – payments of £15,333

-Provides national representation, information, advice including office-bearer training and other services.

## **Trustees' report** *(continued)*

### **Plans for the future**

Despite challenges, the Student Union aims to continue to provide valuable services and representation for our members. We are working closely with the University to deliver a positive student experience as the needs of our students evolve post pandemic and in the current economic climate.

While the past few years have been a challenge, we have learned a great deal from operating online and in a hybrid environment. As we get to grips with what the 'next normal' looks like, we continue to review how we can use online engagement to greater effect in our services such as engaging students, events and student support.

The Student Union has a partnership agreement with the University, and this has been a huge asset in creating a strong relationship to work together during the coronavirus pandemic. We look forward to continuing this relationship during what will be a challenging year so that our students have the best possible experience.

### **Statement as to disclosure of information to Auditors**

The Trustee Board Members who were in office on the date of approval of these Financial Statements have confirmed, as far as they are aware, that there is no relevant information of which the Auditors are unaware. Each of the Trustees have confirmed that they have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that it has been communicated to the Auditors.

### **Approval of the report**

This report has been prepared in accordance with the special provisions in Part 15 of the Companies Act 2016 relating to small companies.

The financial statements were approved and authorised for issue on 9 February 2023 and are signed on behalf of the Board of Trustees by:

**Sanjit Krishnakumar**  
President

## Trustees' responsibilities

The trustees (who are also directors of Heriot-Watt University Student Union for the purposes of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practices). Company law requires the trustees to prepare financial statements for each financial year. Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period.

In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulation 2006 (as amended) and the provisions of the charitable company's Articles of Association. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Independent Auditor's Report to the Trustees and Members of Heriot-Watt University Student Union

## Opinion

We have audited the financial statements of Heriot-Watt University Students' Union (the 'charitable company') for the year ended 31 July 2022 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 July 2022 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended)

## Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

## Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# **Independent Auditor's Report to the Trustees and Members of Heriot-Watt University Student Union** *(continued)*

## **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the Trustees' Report which includes the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Report which includes the Directors' Report has been prepared in accordance with applicable legal requirements.

## **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006, the Charities and Trustees Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the trustees' report and from the requirement to prepare a strategic report.

## **Responsibilities of trustees**

As explained more fully in the Trustees' Responsibilities Statement, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Auditor's responsibilities for the audit of the financial statements**

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

# Independent Auditor's Report to the Trustees and Members of Heriot-Watt University Student Union *(continued)*

## Auditor's responsibilities for the audit of the financial statements *(continued)*

### Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

As part of our planning process:

- We enquired of management the systems and controls the charitable company has in place, the areas of the financial statements that are mostly susceptible to the risk of irregularities and fraud, and whether there was any known, suspected or alleged fraud. Management informed us that there were no instances of known, suspected or alleged fraud;
- We obtained an understanding of the legal and regulatory frameworks applicable to the charitable company. We determined that the following were most relevant: Health and Safety; Employment Law, GDPR; and compliance with company and charity law.
- We considered the incentives and opportunities that exist in the charitable company, including the extent of management bias, which present a potential for irregularities and fraud to be perpetrated, and tailored our risk assessment accordingly; and
- Using our knowledge of the charitable company, together with the discussions held with management at the planning stage, we formed a conclusion on the risk of misstatement due to irregularities including fraud and tailored our procedures according to this risk assessment.

The key procedures we undertook to detect irregularities including fraud during the course of the audit included:

- Inquiry of management about any known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing legal fee expenditure and minutes of board meetings;
- Challenging assumptions and judgements made by management in their significant accounting estimates; and
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). For instance, the further removed non-compliance is from the events and transactions reflected in the financial statements, the less likely the auditor is to become aware of it or to recognise the non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation. The primary responsibility for the prevention and detection of irregularities and fraud rests with the directors.

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

## **Independent Auditor's Report to the Trustees and Members of Heriot-Watt University Student Union** *(continued)*

### **Use of our report**

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charitable company's trustees, as a body, in accordance with Section 44 (1)(c) of the Charities 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 charitable company's members and trustees 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 charitable company, the charitable company's members as a body and the charitable company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

### **Diana Penny (Senior Statutory Auditor)**

For and on behalf of Henderson Loggie LLP  
Chartered Accountants  
Statutory Auditor  
11-15 Thistle Street  
Edinburgh  
EH2 1DF

Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

**Statement of Financial Activities (incorporating the income and expenditure account)**  
*for the year ended 31 July 2022*

2022	Note	Unrestricted General Funds £	Unrestricted Designated Funds £	Restricted Funds £	2022 Total £	Unrestricted General Funds £	Unrestricted Designated Funds £	Restricted Funds £	2021 Total £
<b>Income and endowments from:</b>									
Donations and legacies	2	700,063	-	32,584	732,647	866,863	-	68,660	935,523
Other trading activities	3	3,911	-	-	3,911	3,633	-	-	3,633
Investments	4	244	-	-	244	49	-	-	49
Charitable activities	5	1,114,990	-	-	1,114,990	350,116	-	-	350,116
<b>Total income and endowments</b>		<b>1,819,208</b>	<b>-</b>	<b>32,584</b>	<b>1,851,792</b>	1,220,661	-	68,660	1,289,321
<b>Expenditure on:</b>									
Charitable activities	5	1,809,849	150,000	53,443	2,013,292	1,256,926	167,000	29,603	1,453,529
<b>Total expenditure</b>		<b>1,809,849</b>	<b>150,000</b>	<b>53,443</b>	<b>2,013,292</b>	1,256,926	167,000	29,603	1,453,529
<b>Net income/(expenditure)</b>		<b>9,359</b>	<b>(150,000)</b>	<b>(20,859)</b>	<b>(161,500)</b>	(36,265)	(167,000)	39,057	(164,208)
<b>Transfers between funds</b>		-	-	-	-	-	-	-	-
<b>Other recognised gains and losses:</b>									
Actuarial gain/(loss) in respect of pension scheme	14	-	426,000	-	426,000	-	943,000	-	943,000
<b>Net movement in funds</b>	13	<b>9,359</b>	<b>276,000</b>	<b>(20,859)</b>	<b>264,500</b>	(36,265)	776,000	39,057	778,792
Fund balance brought forward at 1 August 2021	13	674,516	(276,000)	182,077	580,593	710,781	(1,052,000)	143,020	(198,199)
<b>Fund balance carried forward at 31 July 2022</b>	13	<b>683,875</b>	<b>-</b>	<b>161,218</b>	<b>845,093</b>	674,516	(276,000)	182,077	580,593

All activities relate to continuing operations.

**Balance sheet**  
**as at 31 July 2022**

	<i>Note</i>	<b>2022</b>	<b>2022</b>	2021	2021
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	8		<b>323,883</b>		337,736
<b>Current assets</b>					
Stock	9	<b>52,140</b>		47,508	
Debtors	10	<b>40,048</b>		43,487	
Cash at bank and in hand		<b>600,657</b>		572,959	
			<b>692,845</b>	663,954	
<b>Creditors: amounts falling due within one year</b>	11	<b>(142,654)</b>		(106,353)	
<b>Net current assets</b>			<b>550,191</b>		557,601
<b>Total assets less current liabilities</b>			<b>874,074</b>		895,337
<b>Creditors: Amounts falling due after more than one year</b>	12		<b>(28,981)</b>		(38,744)
<b>Pension (deficit)</b>	14		-		(276,000)
<b>Net assets/(liabilities)</b>			<b>845,093</b>		580,593
<b>Funds</b>					
Unrestricted funds	13		<b>683,875</b>		398,516
Restricted funds	13		<b>161,218</b>		182,077
<b>Total funds</b>			<b>845,093</b>		580,593

These financial statements have been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

The financial statements were approved and authorised for issue by the Trustee Board on 9 February 2023 and signed on behalf of the Union by:

**Sanjit Krishnakumar**  
**President**

**Company registration number SC504788**

## Statement of Cash Flows

*For the year to 31 July 2022*

	2022 £	2022 £	2021 £	2021 £
<b>Cash flows from operating activities</b>				
Net (expenditure)	(161,500)		(164,208)	
Depreciation charges	25,127		30,985	
Income from investments	(244)		(49)	
Decrease/(Increase) in stock	(4,632)		20,456	
Decrease/(Increase) in debtors	3,439		90,131	
Increase/(Decrease) in creditors	36,061		15,656	
Defined benefit pension scheme cost	150,000		167,000	
	-----		-----	
Net cash (used in)/provided by operating activities		<b>48,251</b>		159,971
<b>Cash flows from investing activities</b>				
Income from investments	244		49	
Purchase of fixed assets	(11,275)		(21,264)	
	-----		-----	
Net cash (used in) investing activities		<b>(11,031)</b>		(21,215)
<b>Cash flows from financing activities</b>				
Repayment of borrowings	(9,522)		(1,709)	
	-----		-----	
Net cash provided by/(used in) financing activities		<b>(9,522)</b>		(1,709)
<b>Increase in cash and cash equivalents in the year</b>		<b>27,698</b>		137,047
Cash and cash equivalents at 1 August 2021		<b>572,959</b>		435,912
		-----		-----
<b>Total cash and cash equivalents at 31 July 2022</b>		<b>600,657</b>		572,959
		=====		=====
<b>Cash and cash equivalents comprise:</b>				
Cash at bank and in hand		<b>600,657</b>		572,959
		=====		=====

## Notes to the Financial Statements for the year ended 31 July 2022

### 1 Accounting policies

#### Basis of accounting

The financial statements have been prepared on a going concern basis in accordance with applicable accounting standards and under the historical cost convention. The charity is a Public Benefit Entity and a company limited by guarantee, incorporated in Scotland with the registered office as noted on page 1. The financial statements are compliant with the charity's constitution, the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), the Statement of Recommended Practice (SORP) FRS 102 "Accounting and Reporting by Charities", and in accordance with Financial Reporting Standard 102 (FRS 102). The financial statements have been presented in pounds sterling which is the functional currency of the charitable company, monetary amounts are rounded to the nearest £.

The charity has availed itself of S396 of the Companies Act 2006, as permitted in paragraph 4(1) of Schedule 1 of SI 2008 no 409, and adapted the Companies Act formats to reflect the special nature of the charity's activities.

#### Going concern

During the period to 31 July 2022, the Union has continued in a strong financial position with net current assets of £550,191. In view of this performance, the financial memorandum of agreement between Heriot-Watt University and the Union, and the financial assistance the University will provide for twelve months from signing, the Trustees are satisfied that it is appropriate to prepare these financial statements on the going concern basis.

#### Income

Income from donations and grants is recognised when the charity has entitlement to the funds, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably. Income from the provision of bar, café and shop services to students is recognised on receipt, which is when the service has been delivered.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the Bank.

In accordance with Charity SORP (FRS 102), services provided by volunteers are not recognised.

#### Expenditure

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. All expenditure of the Union, once incurred, is considered either a direct charitable activity cost or a support cost. Support costs are allocated to charitable activities according to the amount of staff time spent on these activities or by reference to floor space. Charitable activities are those resources applied in the delivery of services to meet the Union's charitable objectives. Support costs include management and accommodation costs and staff costs. They also include governance cost, which are those associated with the general running of the Union including activities which provide the Union's governance infrastructure.

#### Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employees services are received.

Termination payment are recognised immediately as an expense when the charity is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

## Notes to the Financial Statements *(continued)* for the year ended 31 July 2022

### 1 Accounting policies *(continued)*

#### Fixed assets

All expenditure of a capital nature where the expenditure exceeds £750 is capitalised under one of the following categories.

Depreciation is provided on categories of fixed assets on a straight-line basis over the following periods:

Office equipment	3 to 5 years
Furniture and fittings	3 to 10 years
Plant and machinery	3 to 5 years
Building additions/improvements	30 to 50 years
Motor vehicles	5 years

A full year's depreciation is charged in the year of acquisition and none in the year of disposal. Impairment reviews are carried out at least annually as part of the annual reporting exercise and when significant changes in the Union's activities occur, or in other situations where circumstances indicate a review is necessary.

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying value of the asset, and is recognised in net income/(expenditure) for the year.

#### Impairment of fixed assets

At each reporting date, the charity reviews the carrying amount of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

#### Stocks

Stocks are stated at the lower of cost and net realisable value. Provision is made for any slow-moving or obsolete stock.

#### Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discounts offered. Prepayments are valued at the amount prepaid after taking account of any trade discounts due.

#### Cash and cash equivalents

Cash at bank and in hand includes cash and short term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

#### Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

#### Financial instruments

The union only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

## Notes to the Financial Statements *(continued)* for the year ended 31 July 2022

### 1 Accounting policies *(continued)*

#### **Pension costs**

The Union offers a defined benefit pension scheme for certain employees: the Lothian Pension Fund (LPF – Local Government Scheme). This is a defined benefit plan, which is externally funded and contracted out of the State Second Pension.

The Union's share of the underlying assets and liabilities of the scheme are measured by a qualified actuary using the assumptions set out in note 14. The assets of the Scheme are measured using closing fair values. Liabilities are measured using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. Actuarial gains and losses arising from experience adjustments and changes in assumptions are recognised immediately in the Statement of Financial Activities. All costs relating to the defined benefit plan are recognised in the Statement of Financial Activities within employee benefit costs.

#### **Taxation**

The Union has been granted charitable status by HM Revenue and Customs and is a registered charity. The Union is not subject to corporation tax on any surpluses that have been derived in pursuing activities designed to carry out the main objects of its charitable status.

#### **Funds**

Unrestricted funds are available for use at the discretion of the trustees in furtherance of the charity's general charitable objectives.

Restricted funds are those for which the purpose and use of the funds has been specified prior to their transfer to the charity, and which can only be applied for those specified purposes.

#### ***Judgements in applying accounting policies and key sources of estimation uncertainty***

In the application of the charitable company's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

In preparing these financial statements, the trustees have made the following judgements:

- Tangible fixed assets are depreciated over a period to reflect their estimated useful lives. The applicability of the assumed lives is reviewed annually, taking into account factors such as physical condition, maintenance and obsolescence.
- Fixed assets are also assessed as to whether there are indicators of impairment. This assessment involves consideration of the economic viability of the purpose for which the asset is used.

The union's key sources of estimation uncertainty are as follows:

The value of the surplus/deficit in the defined benefit pension fund is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of the liabilities, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future pension increases are based on expected future inflation rates.

**Notes to the financial statements** *(continued)*  
*for the year ended 31 July 2022*

**2 Donations and legacies**

	Unrestricted £	Restricted £	2022 £	Unrestricted £	Restricted £	2021 £
Allocation from University	<b>680,000</b>	-	<b>680,000</b>	652,000	-	652,000
Grant income - HWUSA	-	<b>32,584</b>	<b>32,584</b>	3,153	28,320	31,473
Donations - other	<b>5,831</b>	-	<b>5,831</b>	260	1,500	1,760
CJRS income	<b>7,332</b>	-	<b>7,332</b>	183,650	-	183,650
Donation from Alumni Fund	-	-	-	-	22,840	22,840
Government grants	<b>6,900</b>	-	<b>6,900</b>	27,800	16,000	43,800
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<b>700,063</b>	<b>32,584</b>	<b>732,647</b>	866,863	68,660	935,523
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**3 Other trading activities**

	2022 £	2021 £
Commission on sales	<b>2,358</b>	1,383
Marketing income	<b>1,553</b>	2,250
	<hr/>	<hr/>
	<b>3,911</b>	3,633
	<hr/> <hr/>	<hr/> <hr/>

**4 Income from investments**

	2022 £	2021 £
Interest receivable	<b>244</b>	49
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the Financial Statements** *(continued)*  
*for the year ended 31 July 2022*

**5 Charitable activities**

	Social space and ancillary trading £	Other charitable activities £	2022 Total £	2021 Total £
<b>Income:</b>				
Income from normal operations	1,090,155	24,835	1,114,990	350,116
<b>Expenditure:</b>				
Staff costs	(646,450)	(240,835)	(887,285)	(857,139)
Sabbaticals	(22,389)	(87,626)	(110,016)	(117,406)
Property costs	(139,877)	(3,662)	(143,539)	(97,064)
Support costs	(56,674)	(16,619)	(73,293)	(79,040)
Welfare costs	-	(12,985)	(12,985)	(3,139)
Commercial cost of sales	(715,573)	-	(715,573)	(247,528)
Specific project costs		(64,601)	(64,601)	(37,213)
Interest expense on defined benefit pension scheme	(6,000)	-	(6,000)	(15,000)
	<u>(1,586,963)</u>	<u>(426,329)</u>	<u>(2,013,292)</u>	<u>(1,453,529)</u>
Deficit	<u>(496,808)</u>	<u>(401,494)</u>	<u>(898,302)</u>	<u>(1,103,413)</u>

Within the above expenditure, amounts relating to specific projects costs of £53,013 (2021: £29,173) and £430 (2021: £430) of property costs were restricted.

Included within property costs were £6,406 (2021: £6,406) of operating lease payments.

Commercial cost of sales represent stock recognised as an expense in the year.

Support costs include the following

	2022 £	2021 £
Bank charges	15,027	6,257
Computer expenses	21,577	24,529
Office expenses	22,071	17,438
Governance costs (note 6)	14,618	30,816
	<u>73,293</u>	<u>79,040</u>

Support costs are allocated between charitable activities according to the amount of staff time spent on these activities or by reference to floor space.

**6 Governance costs**

	2022 £	2021 £
Office-bearer's training costs	3,424	2,482
Election costs	1,080	734
Consultant's costs	(1,350)	18,600
Remuneration of auditors	10,250	9,000
Trustee Costs	87	-
Welfare	1,127	-
	<u>14,618</u>	<u>30,816</u>

**Notes to the financial statements** *(continued)*  
**for the year ended 31 July 2022**

**7 Staff costs and numbers**

	2022 £	2021 £
Wages and salaries	723,291	664,190
Social security costs	50,310	48,341
Pension costs	82,755	105,812
FRS 102 Defined benefit pension adjustments (Note 14)	144,000	152,000
	1,000,356	970,343
Other staff costs not through payroll	-	4,202
	1,000,356	974,545
	52	48

No members of staff earned emoluments over £60,000 (2021: 0). No termination payments were made during the year (2021: £17,157).

The key management personnel are the Chief Executive officer, the President and Vice-Presidents and other members of the Senior Management Team whose total employment benefits for the year totalled £300,528 (2021: £304,855).

7 trustees (2021: 5) received reimbursement of expenses amounting to £1,354 (2021: £804) in the year. In 2021 4 trustees also received a working from home allowance of £787.

The President and Vice-Presidents are required by the constitution of the Union to be Sabbatical members of the Executive Committee and Trustees ex-officio and as such are remunerated for their work. Remuneration and pension contributions were paid as follows:

	Gross salary	Employer pension contributions	Total 2022	Total 2021
E King, President	16,662	3,802	20,464	24,094
A Hedlund, Vice President, Education	-	-	-	19,698
L Stroudinsky, Vice President, Wellbeing	-	-	-	19,698
C Aitken, Vice President, Community	-	-	-	16,782
S Faraghat, Vice President, Community	16,667	50	16,717	6,118
H Copeland, Vice President, Education	16,667	350	17,017	3,333
F Hulme, Vice President, Wellbeing	9,167	275	9,442	3,433
S Krishnakumar, President	3,667	183	3,850	-
S Anderson, Vice President, Community	3,667	183	3,850	-
M Knight, Vice President, Education	3,667	183	3,850	-
G Noble, Vice President, Wellbeing	3,667	183	3,850	-
	73,831	5,209	79,040	93,156
	73,831	5,209	79,040	93,156

**Notes to the financial statements** *(continued)*  
*for the year ended 31 July 2022*

**8 Fixed assets**

	Building improvements £	Plant and machinery £	Fixtures and fittings £	Office equipment £	Total £
<b>Cost</b>					
At 1 August 2021	551,758	32,346	498,320	64,440	1,146,864
Additions	-	-	9,279	1,996	11,275
At 31 July 2022	551,758	32,346	507,599	66,436	1,158,139
<b>Depreciation</b>					
At 1 August 2021	234,115	32,346	491,384	51,283	809,128
Charge for year	11,905	-	7,749	5,474	25,127
At 31 July 2022	246,020	32,346	499,133	56,757	834,256
<b>Net book value</b>					
At 31 July 2022	<b>305,738</b>	<b>-</b>	<b>8,466</b>	<b>9,679</b>	<b>323,883</b>
At 1 August 2021	317,643	-	6,936	13,157	337,736

**9 Stock**

	2022 £	2021 £
Bar	9,325	9,048
Catering	1,634	-
Shop	41,181	38,460
	<b>52,140</b>	<b>47,508</b>

**10 Debtors**

	2022 £	2021 £
Trade debtors	2,666	2,696
Other debtors	11,469	16,785
Heriot-Watt University	3,425	-
Prepayments	11,488	14,506
Accrued income	11,000	9,500
	<b>40,048</b>	<b>43,487</b>

**Notes to the financial statements** *(continued)*  
*for the year ended 31 July 2022*

**11 Creditors: Amounts falling due within one year**

	2022	2021
	£	£
Trade creditors	45,102	17,379
Heriot-Watt University	7,645	15,286
Other tax and social security	13,319	12,370
Other creditors	13,834	11,569
Accruals and deferred income	52,966	40,202
Bank Loan	9,788	9,547
	142,654	106,353
	142,654	106,353

**12 Creditors: amounts falling due after more than one year**

	2022	2021
	£	£
Bank Loan	28,981	38,744
	28,981	38,744
	28,981	38,744

**Analysis of maturity of loan:**

	2022	2021
	£	£
Amounts falling due:		
Within one year	9,788	9,547
Between one to two years	10,035	9,788
Between two to five years	18,946	28,956
More than five years	-	-
	38,769	48,291
	38,769	48,291

The Union obtained a £50,000 bank loan as part of the Government supported Bounce Back Loan Scheme in response to the COVID-19 pandemic. The loan is guaranteed by the UK Government. The loan is repayable over six years with a repayment holiday in the first 12 months. Monthly repayments are £887 and the interest rate is 2.5%.

**Notes to the financial statements** *(continued)*  
*for the year ended 31 July 2022*

**13 Funds**

<b>2022</b>	Balance at 1 August 2021 £	<b>Income</b> £	<b>Expenditure</b> £	<b>Transfers</b> £	<b>Actuarial Gain</b> £	<b>Balance at 31 July 2022 £</b>
<b>Unrestricted funds</b>						
General fund	<b>674,516</b>	1,819,208	(1,809,849)	-	-	<b>683,875</b>
Designated fund	<b>(276,000)</b>		(150,000)		426,000	-
	<b>398,516</b>	1,819,208	(1,959,849)	-	426,000	<b>683,875</b>
<b>Restricted funds</b>						
Building improvements	<b>70,672</b>	-	(2,718)	-	-	<b>67,954</b>
Alumni Fund	<b>66,435</b>	14,250	(18,830)	-	-	<b>61,855</b>
Lift funding	<b>11,849</b>	-	(430)	-	-	<b>11,419</b>
Scottish Funding Council	<b>16,000</b>	-	(11,589)	-	-	<b>4,411</b>
USC grant	<b>14,001</b>	-	(3,924)	-	-	<b>10,077</b>
Other restricted funds	<b>3,120</b>	18,334	(15,952)	-	-	<b>5,502</b>
	<b>182,077</b>	32,584	(53,443)	-	-	<b>161,218</b>
<b>Total funds</b>	<b>580,593</b>	1,851,792	(2,013,292)	-	426,000	<b>845,093</b>
<b>2021</b>						
	Balance at 1 August 2020 £	<b>Income</b> £	<b>Expenditure</b> £	<b>Transfers</b> £	<b>Actuarial Gain</b> £	<b>Balance at 31 July 2021 £</b>
<b>Unrestricted funds</b>						
General fund	710,781	1,220,661	(1,256,926)	-	-	674,516
Designated fund	(1,052,000)	-	(167,000)	-	943,000	(276,000)
	(341,219)	1,220,661	(1,423,926)	-	943,000	398,516
<b>Restricted funds</b>						
Building improvements	73,390	-	(2,718)	-	-	70,672
Alumni Fund	57,351	22,840	(13,756)	-	-	66,435
Lift funding	12,279	-	(430)	-	-	11,849
Scottish Funding Council	-	16,000	-	-	-	16,000
USC grant	-	24,100	(10,099)	-	-	14,001
Other restricted funds	-	5,720	(2,600)	-	-	3,120
	143,020	68,660	(29,603)	-	-	182,077

## Notes to the financial statements *(continued)* for the year ended 31 July 2022

### 13 Funds *(continued)*

#### Purpose of the fund

Designated fund – this represents the value of the defined benefit pension scheme liability. At the 31 July 2022, the defined benefit pension scheme was in an asset position which was not considered recoverable, and therefore not recognized within the financial statements. As such, the designated fund balance at 31 July 2022 was nil.

Building improvements – a capital fund for improvements financed by HWU against which depreciation is applied annually.

Alumni fund – grant awards from HWU for specific charitable projects and activities.

Lift fund – grant awarded towards installation of lift in Union building against which depreciation is applied annually.

Scottish Funding Council – grant for student unions to support student wellbeing post pandemic.

USC grant - University Covid Support grant – support grant from the University for student community activity during the pandemic.

Other restricted funds – smaller grants received for specific purposes.

### 13 Analysis of net assets between funds

	Unrestricted £	Restricted £	2022 £	Unrestricted £	Restricted £	2021 £
Fixed assets	244,510	79,373	323,883	255,213	82,523	337,736
Net current assets	468,346	81,845	550,191	458,047	99,554	557,601
Creditors due > 1 year	(28,981)	-	(28,981)	(38,744)	-	(38,744)
Provisions	-	-	-	(276,000)	-	(276,000)
	<u>683,875</u>	<u>161,218</u>	<u>845,093</u>	<u>398,516</u>	<u>182,077</u>	<u>580,593</u>

### 14 Pension commitments

Heriot-Watt University Student Union participates in the Lothian Pension Fund (LPF) which is part of the Local Government Pension Scheme (LGPS) (Scotland), a multi-employer scheme. The LGPS is a defined benefit scheme based on final pensionable salary.

The Union's share of the assets and liabilities of the scheme at 31 July 2022 are assessed by independent qualified actuaries using the projected unit method, updated from the latest full actuarial valuation of the scheme at 31 March 2017. The major assumptions used by the actuary are shown below.

The Lothian Pension Fund is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The employer contributions made for the year ended 31 July 2022 totalled £79,000 (2021: £106,000). The agreed contribution rates for future years are 21.9% to 31 March 2023 for employers and an average of between 5.5% and 12% for employees.

**Notes to the financial statements** *(continued)*  
*for the year ended 31 July 2022*

**14 Pension commitments** *(continued)*

***Principal Actuarial assumptions***

The following information is based upon a full actuarial valuation of the fund at 31 March 2017 updated to 31 July 2022 by a qualified independent actuary:

	<b>2022</b>	2021
	<b>% p.a.</b>	% p.a.
Inflation/Pension increase rate	<b>2.8</b>	2.9
Salary increase rate	<b>3.2</b>	3.4
Discount rate	<b>3.5</b>	1.6
	<hr style="width: 50%; margin: 0 auto;"/>	<hr style="width: 50%; margin: 0 auto;"/>

Life expectancy is based on the Fund's Vita Curves assuming the current rate of improvements has peaked and will converge to a long term rate of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	<b>Males</b>	<b>Females</b>
Current pensioners	20.3 years	23.1 years
Future pensioners	21.6 years	25.0 years
	<hr style="width: 50%; margin: 0 auto;"/>	<hr style="width: 50%; margin: 0 auto;"/>

***The net pension asset/(deficit) was:***

	<b>2022</b>	2021
	<b>£000</b>	£000
Estimated employer assets	<b>6,193</b>	5,659
Present value of scheme liabilities	<b>(4,065)</b>	(5,935)
Effect of asset ceiling	<b>(2,128)</b>	-
	<hr style="width: 50%; margin: 0 auto;"/>	<hr style="width: 50%; margin: 0 auto;"/>
Net pension asset/(deficit)	-	(276)
	<hr style="width: 50%; margin: 0 auto;"/>	<hr style="width: 50%; margin: 0 auto;"/>

The surplus on the Union's share of the assets and liabilities of the scheme as at 31 July 2022 of £2,128,000 is not considered recoverable and as such has not been recognised on the balance sheet. In July 2021 the scheme was in a deficit, this was recognised as a liability on the balance sheet.

***Reconciliation of fair value of scheme assets:***

	<b>2022</b>	2021
	<b>£000</b>	£000
Opening fair value of scheme assets	<b>5,659</b>	4,821
Expected return on assets	<b>90</b>	68
Contributions by members	<b>25</b>	32
Contributions by employer	<b>79</b>	106
Actuarial gains/(losses)	<b>445</b>	744
Estimated benefits paid	<b>(105)</b>	(112)
	<hr style="width: 50%; margin: 0 auto;"/>	<hr style="width: 50%; margin: 0 auto;"/>
	<b>6,193</b>	5,659
	<hr style="width: 50%; margin: 0 auto;"/>	<hr style="width: 50%; margin: 0 auto;"/>

**Notes to the financial statements** *(continued)*  
*for the year ended 31 July 2022*

**14 Pension commitments** *(continued)*

***Reconciliation of defined benefit obligation:***

	<b>2022</b>	2021
	<b>£000</b>	£000
Opening defined benefit obligation	<b>5,935</b>	5,873
Current service cost	<b>223</b>	258
Interest cost	<b>96</b>	83
Contributions by members	<b>25</b>	32
Actuarial losses/(gains)	<b>(2,109)</b>	(199)
Estimated benefits paid	<b>(105)</b>	(112)
	<b>4,065</b>	5,935
	<b>4,065</b>	5,935

***Analysis of the amount charged to staff costs (Note 7):***

	<b>2022</b>	2021
	<b>£000</b>	£000
Current service costs	<b>223</b>	258
Past service cost	<b>-</b>	-
	<b>223</b>	258
Total operating charge	<b>223</b>	258
Less: Contributions paid	<b>(79)</b>	(106)
	<b>144</b>	152
	<b>144</b>	152

***Amount charged to operating costs (Note 5):***

	<b>2022</b>	2021
	<b>£000</b>	£000
Expected return on employer assets	<b>90</b>	68
Interest on pension scheme liabilities	<b>(96)</b>	(83)
	<b>(6)</b>	(15)
	<b>(6)</b>	(15)

***Analysis of the amount recognised in the Statement of Financial Activities***

	<b>2022</b>	2021
	<b>£000</b>	£000
Changes in value of scheme assets: Actuarial gains/(losses)	<b>445</b>	744
Changes in defined benefit obligations: Actuarial gains/(losses)	<b>2,109</b>	199
Effect of asset ceiling	<b>(2,128)</b>	-
	<b>426</b>	943
Actuarial gain/(loss) recognised in Statement of Financial Activities	<b>426</b>	943

**Notes to the financial statements** *(continued)*  
**for the year ended 31 July 2022**

**14 Pension commitments** *(continued)*

***Movement in pension during the year:***

	<b>2022</b>	2021
	<b>£000</b>	£000
(Deficit) at beginning of year	<b>(276)</b>	(1,052)
Movement in year:		
Current service cost	<b>(223)</b>	(258)
Employer contributions	<b>79</b>	106
Interest costs	<b>(6)</b>	(15)
Net return on financing and assets	-	-
Actuarial gain	<b>2,554</b>	943
Effect of asset ceiling	<b>(2,128)</b>	-
	-	(276)
	-	(276)

***Analysis of scheme assets:***

	<b>2022</b>	2021
Equities	<b>71%</b>	73%
Bonds	<b>13%</b>	12%
Property	<b>7%</b>	6%
Cash	<b>9%</b>	9%
	-	-

**15 Related party transactions**

During the year, Heriot-Watt University allocated to the Students' Union £680,000 (2021: £652,000) in the form of block grant funding. Other grant funding from Heriot-Watt University amounted to £22,984 (2021: £31,473).

During the course of the Union's activities for the period, transactions with Heriot-Watt University took place. The total amount invoiced by the Union to the University for goods and services was £9,220 (2021: £9,871) and the total amount invoiced by the University to the Union for goods and services was £66,413 (2021: £54,552). At 31 July 2022 the University owed the Union a balance of £3,425 (2021: £nil). Amounts owed by the Union to Heriot-Watt University amounted to £7,645 (2021: £15,286).

Rent of £6,406 (2021: £6,406) was paid to Heriot Watt University for the Union shop premises. The Union building is owned by Heriot Watt University and is made available for use by the Union free of charge. Due to the layout, location and purpose of the building no accurate estimated annual rent for the building could be calculated and as such has not been recognised as a donation in the accounts.

**Notes to the financial statements** *(continued)*  
*for the year ended 31 July 2022*

**16 Ultimate controlling party**

The charitable company is constituted by its Articles of Association and is controlled by its Board of Trustees.

**17 Contingent liabilities**

Contingent liabilities relate to donations received from Alumni Fund which are repayable if unspent on specified purpose. This total at 31 July 2022 is therefore the balance of £61,855 (2021: £66,435) held within restricted funds.