



SRUC

**REPORT AND FINANCIAL
STATEMENTS**

31 MARCH 2019

**Registered Number: SC103046
Charity Number: SC003712**

CONTENTS

PRINCIPAL'S REPORT	2
STRATEGIC REPORT	5
DIRECTORS' REPORT	9
CORPORATE GOVERNANCE STATEMENT	15
STATEMENT OF THE RESPONSIBILITIES OF THE BOARD OF SRUC	18
INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES AND MEMBERS OF SRUC	19
GROUP STATEMENT OF COMPREHENSIVE INCOME	22
STATEMENT OF CHANGES IN RESERVES	23
BALANCE SHEET	24
GROUP CASH FLOW STATEMENT	25
STATEMENT OF PRINCIPAL ACCOUNTING POLICIES	26
NOTES TO THE FINANCIAL STATEMENTS	31
GENERAL INFORMATION	53

Principal's Report



To paraphrase Carl Jung, we are what we do, not what we say we'll do.

Following a great deal of discussion and stakeholder engagement to finalise our strategy over the past couple of years, the last 12 months has seen us working hard to turn our vision of transforming SRUC into a rural enterprise university for the 21st century a reality.

We have taken bold – and not always easy – steps towards this goal, and now people are beginning to sit up and take notice.

In September, we announced the first stage in our transformation, which has seen SRUC move to a faculty-based model, with three new vibrant faculties located across Scotland: North, (the Faculty of Agri-Food & Business), Central (the Faculty of Rural Science & Policy) and South & West (the Faculty of Pasture-based Agriculture, Forestry and Bio-refining).

We also announced that The Scottish Funding Council has approved the development of the full business case for the development of the site for the South & West Faculty and the preparation of the Outline Business Cases for the Central and North Faculties.

These are the first major steps in our transformational growth plan to become Scotland's new rural enterprise university.

The decisions that we have made, and will implement over the next few years, are all the result of significant research, analysis and planning. They will best serve our commitment to educational excellence, which in turn will develop the skills and innovation required for a vibrant rural economy in 21st-century Scotland.

The three faculties are enabling us to bring education, skills and translational research together, and to strategically deliver an integrated, sustainable model for growth. We have been at the heart of Scotland's rural economy and workforce for more than a century, and we will be here throughout the 21st century and beyond.

Our bold ambition has been backed up by compelling evidence, following the publication of a report by respected consultancy BiGGAR Economics, which stated that, when SRUC becomes a new rural enterprise university, it could be a

catalyst for a potential £4.5 billion boost to the Scottish economy.

The report benchmarked Scotland's performance against comparator nations that already have a rural university, namely Norway, the Netherlands, Sweden and New Zealand.

It found that these nations enjoy significant advantages over Scotland, in terms of better productivity in the agricultural and primary sectors, as well as greater research and development (R&D) investment.

The report provided a fascinating analysis of the prize on offer to maximise the potential of our rural economy.

By looking outside, we have seen clearly that the other countries studied in the report have rural universities which drive innovation and economic growth in the rural sectors.

In these comparator countries, a rural university offers a global outlook but is connected to the local rural landscape and heritage, helping translate and transfer knowledge into practice that benefits the domestic economy.

Strategic collaboration between government, industry and expert centres is a model followed in these countries and has been shown to be transformational, creating step changes in economic benefits and growth. The same approach can also work for Scotland.

We envisage an enterprise university for the rural economy in Scotland that leads innovation and sustainable development, while providing world-class education, research, skills development and consulting.

An outstanding example of strategic collaboration was on show earlier this year, when Rural Affairs Minister Mairi Gougeon opened our new centre for animal disease surveillance and research.

Based at the Moredun Research Institute's Pentlands Science Park, the new SRUC Veterinary and Analytical Laboratory is at the centre of a strategic partnership between SRUC and Moredun to advance livestock health, biosecurity, animal welfare, production, disease surveillance, and resilience through joint research.

Principal's Report



We were able to celebrate these developments in March 2019 with a memorable reception at the Scottish Parliament.

John Swinney, Deputy First Minister for Scotland and Cabinet Secretary for Education and Skills, was the keynote speaker at the event hosted by Emma Harper MSP, on behalf of SRUC.

Mr Swinney pointed out that, alongside other strategic partners and employers, SRUC is "ideally placed to be involved in actions to strengthen knowledge around rural skills gaps and to support scientific advances to meet the current and future needs of Scotland's rural economy".

Our progressive research, teaching and industrial partnerships were brought to life at the event, which was attended by a range of educational and rural enterprise organisations.

On the same day, we hit the headlines in practically every UK media outlet about yet another piece of ground-breaking research, this time working with the University of the West of England using facial recognition technology to improve the welfare of pigs.

The quality of SRUC's ground breaking research was also widely publicised in September 2018, when we were nominated for two Times Higher Education Awards - for Research Project of the Year: STEM (Science, Technology, Engineering and Maths) and Technological Innovation of the Year.

The Scottish Government has declared a global climate emergency and set a target of net zero emissions by 2045. A key outcome from this is to ensure an inclusive and sustainable economy adaptable to climate change. Therefore rural industry requires to produce more food, securely, sustainably and more productively, while reducing its effect on the environment. SRUC is ideally placed to drive forward this agenda built around the concept of a 'circular economy'. In a circular economy all resources used in the agricultural industry are optimised, not just on farm, but across the whole food supply chain. SRUC's world leading translational research, technology platforms such as the 'green cow', biological resources that include the Langhill dairy herd and commitment to regional skills development will be pivotal to delivery of Scotland's ambition to achieve net zero emissions of carbon by 2045.

Our underlying operating surplus of £0.5m is better than we had budgeted for. It was negated by the level of severance payments of £1.1m as progress along the restructuring journey commenced. As with any organisation undergoing such major change, there is going to be some turbulence in our results and the majority of the restructuring costs will be incurred in 2019/2020.

Through an extensive series of service reviews, we are ensuring that SRUC is as efficient as possible and delivers value for money as we continue our journey towards university status. Attaining University status is not 'an end in itself' but will provide an opportunity to create a new education ecosystem that places student learning (including vocational skills), upskilling and reskilling, employability and challenge led research with a strong focus on business and industry collaboration at the heart of what we do. In this way we will create a different type of University that is best placed to serve the people of Scotland. Central to this ambition is our willingness to work and think differently, to share infrastructure and intellectual property, create multi-disciplinary teams to tackle 'wicked' challenges and accelerate the pace of translation of research to deliver practical benefits.

It is an enormous privilege to serve as Principal and Chief Executive of Scotland's Rural College and to acknowledge the hard work and achievements of all our staff and students over the past year. In addition I want to thank our chairman Sandy Cummings CBE for his support and wisdom together with the SRUC Board for their leadership, energy and trust in me.

I am delighted to welcome our three new outstanding non-executive directors which means that, for the first time in its history, Scotland's Rural College will have a 50:50 gender split on our board.

Former Edinburgh College principal Annette Bruton, who also spent four years as Scotland's chief inspector of education, took up her position in June alongside Margaret Khnichich, a former executive director and partner at Ernst & Young.

Elma Murray, meanwhile, who was chief executive of North Ayrshire Council from 2009-2018, will begin in September.

Turning to our students, there can be few better examples than our very own Aimee Budge, who was crowned Student of the Year at the 2018 British Farming Awards.

Principal's Report



The effective delivery of our strategy, of course, depends on shared and collective ownership by our staff, students, board and all our stakeholders that will enable translation of our vision into practical benefits for Scotland and Society as a whole.

There is much work to be done but, if the past 12 months are anything to go by, we have much to look forward to in the months and years ahead.

Wayne Powell,.....

Professor Wayne Powell
3 September 2019

The directors present the Strategic Report of SRUC for the year ended 31 March 2019. The aim of the Strategic Report is to provide stakeholders with the ability to assess how the directors have performed their duty to promote the success of SRUC.

The format of the financial statements is in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards (FRS 102). SRUC is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102.

Principal Operations

SRUC, is unique, founded on world class and sector-leading research, that demonstrates the greatest research power (volume x quality) of any specialist institution offering land-based subjects in the UK. This was acknowledged in the 2014 Research Excellence Framework (REF) which is a peer assessment of the quality of UK universities' research across all disciplines. In particular SRUC's research impact scored particularly highly with 76% of the impact case studies judged as being 'outstanding'.

SRUC delivers comprehensive skills, education, business support and consultancy services for Scotland's rural industries, and associated food and drink sector. The integration of these three complementary 'knowledge exchange' services is of significant value to all with an interest in land-based activities – be they students, businesses, communities or policy-makers.

The activities of SRUC were delivered through three operational divisions: Research, Education and Consulting and these divisions were supported by a Finance and Professional Services Division. In the year to 31 March 2019 the three faculty model as outlined in the SRUC strategy was implemented.

During the year to 31 March 2019 the main education and research activities operated from six campuses in Aberdeen, Ayr, Broxburn, Cupar, Dumfries and Edinburgh. Consultancy services are delivered through a network of 24 Farm and Rural Business Services offices, eight Veterinary Disease Surveillance Centres and the Central Diagnostic Laboratory. In addition, SRUC operated six farms.

Constitution, Governance and Regulation

SRUC is a private company limited by guarantee, registered in Scotland and has charitable status. The SRUC Board of Directors is responsible for the management and regulation of the financial affairs of the organisation, ensuring compliance with the Financial Memorandum and associated guidance of the Scottish Further and Higher Education Funding Council ("SFC").

The primary purpose activities of SRUC the charity are transacted through that company with the trading activities of the divisions transacted through SAC Commercial Limited. The profits of SAC Commercial are surrendered by way of gift aid.

A full statement of the Board's responsibilities is detailed on page 18, membership of the Board is detailed on page 9 and the Board's corporate governance arrangements are detailed on pages 15-17. The directors are also trustees and are referred to throughout this document as directors.

The Principal and Chief Executive is appointed by the Board and is directly accountable to the Chief Executive of SFC for the institution's proper use of public funds.

SRUC's educational activities are funded by SFC. SRUC continues to receive a proportion of its funding for its research, veterinary and advisory activities directly from the Scottish Government.

In these financial statements SRUC Group at 31 March 2019, is taken to include SRUC and SAC Commercial Limited and the SAC Foundation.

SRUC Strategic Aims 2018-2023

SRUC's new model as outlined in the strategic plan, will deliver to the needs of the rural economy. We will achieve this through our five strategic aims as a new, successful 21st Century university.

Vision

To be a unique, market led and mission diverse 21st Century university.

Mission

To drive the needs of a dynamic, innovative and competitive rural sector in Scotland and to solve the biggest global agri-food challenges.

Values

Respect - we will recognise that everyone in the organisation makes a contribution to our success.

Innovate - we don't wait for things to happen, we constructively challenge how things are done.

Support - we look beyond the boundary of our own roles to support others and share knowledge.

Excel - we take pride in contributions, we have high standards of excellence and always work to our core values.

Financial Highlights

Results for the year

Reconciliation of total comprehensive income to operating performance.

	2019 £m	2018 £m
Total unrestricted comprehensive income (page 22)	(5.2)	7.5
Actuarial loss/(gain)	4.7	(5.1)
Severance costs	1.1	-
Loss/(gain) on fixed asset disposals	0.3	(0.3)
Other non-recurring items	(0.4)	-
Operational surplus	<u>0.5</u>	<u>2.1</u>

The Statement of Comprehensive Income reports a total deficit of unrestricted income of £5.2m for the year, however, the underlying operating position was a surplus of £0.5m as shown in the table above. This compares with an operating surplus of £2.1m in the prior year and a budget for the year that was breakeven.

The Statement of Comprehensive Income shows an increase in turnover of £5m from 2018. When the figures are adjusted for the deferred grants released in respect of fixed assets, turnover has increased by £3.1m. There were increases in all areas of activity other than farms.

The performance against the financial KPIs as set by the operational plan to achieve the strategic plan goals was as follows:

As a % of turnover Target Actual

Underlying operating surplus	0%	0.6%
Operating cash flow	4.5%	7.0%
Staff costs	58.7%	58.5%

Note: The Turnover figure used to calculate the operating surplus and staff cost percentages excludes the release of deferred capital grants and endowment income.

While all targets were met, as the restructuring commenced later than planned, the operating surplus and the positive cash flow are welcome results. The restructuring plans continue to be worked on and will involve significant costs in the financial year 2019/20 but are critical to ensure SRUC achieves the longer term aims of improved margins to ensure future financial sustainability.

For the year ended 31 March 2019 SAC Commercial Ltd made a profit of £2,973k and after payment of £2,982k of gift aid, had a retained loss of £9k (2018: retained loss £17k).

Balance Sheet

	2019 £m	2018 £m
Net assets	<u>7.0</u>	<u>12.2</u>

The main reason for the significant decrease in net assets is the increase in the pension liability.

Fixed assets

The net book value of fixed assets at 31 March 2019 was £86m. Additions in the year amounted to £6m (2018: £6m) and related to buildings under construction, building additions and equipment. The building under construction was The Allermuir Avian Innovation and Skills Centre officially opened in June and was partly funded by a £1.9m grant from Innovate UK via CIEL (Centre for Innovation Excellence in Livestock). Included in additions in the year are the Pig Farrowing Unit, the Specialist Sheep Feed Intake monitoring equipment (both of which were also in receipt of CIEL grants) and the new SRUC Veterinary and Analytical Laboratory. The SRUC Veterinary and Analytical Laboratory is based at the Moredun Research Institute.

SFC University Financial Transactions Funding of £5.2m was received for the Allermuir Avian Innovation and Skills Centre and the SRUC Veterinary and Analytical Laboratory.

Disposals include assets for sale with a net book value of £210k with the sale concluded in May 2019.

Investments and Endowments

The value of investments and endowments increased by £210k to £5.4m.

Cash & Treasury Management

The bank and cash balance (including short term deposits) held by SRUC at 31 March 2019 was £19.7m, an increase of £5.9m, which reflects the cash generated from operations and financial transaction funding from the SFC used on fixed asset expenditure.

Pension Liability

The total pension liability at 31 March 2019 was £30.6m. This was an increase of £5.6m from 2018 and relates to the four final salary pension schemes operated by SRUC. The liability was adjusted for the estimated impact of the Guaranteed Minimum Pension ruling (GMP) and the McCloud judgement. Three of the schemes are Local Government Pension schemes with a combined deficit of £6.2m and the other scheme, Citrus is a multi-employers scheme which had at deficit of £24.4m at the year end. Deficit recovery plans are in place.

Principal Risks and Uncertainties

In common with other Higher Educational Institutions (HEIs), SRUC has to manage its activities while facing significant pressures on its funding as well as its cost base.

Significant Risks

- Public sector spending reductions and policy changes influenced by:
 - External political and economic uncertainty
 - Student funding uncertainty
 - Common Agricultural Policy reform/Brexit
- Most research funding at significantly less than full economic cost.
- Failure to retain and attract high quality people across the organisation and related pressure on

staff costs in terms of pay awards and pension provision.

- Reduced number of available students in Scotland, increasing competition in the sector.
- Viability/suitability of the large estate.
- Funding sources for capital investment.

These significant risks will be addressed through the restructuring and refocus from the implementation of the new strategy. SRUC has engaged pension advisors to perform a review of the pension schemes to assist in managing, and where possible, mitigating the liabilities to reduce future exposure and risk. Work is progressing on the assessment of the estates needs in new faculties to match future aspirations.

The outcome of the Brexit negotiations may impact the free movement of persons which may have staff recruitment issues in respect of research staff and may also impact the recruitment of Post Graduate students. It may also impact our ability to collaborate in cross-European research projects which we have historically participated in. There is also a potential risk to the supply chain for certain of our consumables, particularly for or vets.

The identification and management of risks is firmly embedded within SRUC's structure and processes. The institutional Strategic Risk Register is formally reviewed by the Executive Leadership Team (ELT), the Audit and Risk Committee and the Board. SRUC has developed Risk Registers for each of the operating areas.

Financial risk management policy

The Group's principal financial instruments comprise cash, cash equivalents and loans. Other financial assets and liabilities, such as trade debtors and creditors arise directly from the Group's operating activities. The main risks associated with the Group's financial assets and liabilities are set out below.

Interest rate risk

Interest is charged on a fixed rate basis on loans. Therefore, there is no exposure in this area.

Credit risk

A significant percentage of the Group's income is derived from UK government departments in the form of grant-in-aid and other project funding.

Financial risk management policy (contd)

SRUC's commercial activities are spread across a significant number of smaller customers and the Group therefore has a relatively low level of exposure to external credit risk.

Liquidity risk

The Group aims to mitigate liquidity risk by managing cash generated by its operations. Flexibility is maintained by retaining surplus cash in readily accessible bank deposit accounts. Cash flow forecasts are reviewed monthly.

Foreign currency risk

The Group's principal transactions in foreign currency are Single Farm Payments and European Union funded Research projects. As a result, the Group's income can be affected by movements in the Euro exchange rate. Hedging activity is undertaken as appropriate for large receipts to mitigate this risk.

Future Developments and Factors Influencing Performance

We are operating in complex and turbulent times. Student expectations are changing, there is a growing recognition of the importance of vocational education and skills, together with the need for Higher Education Institutes to do more to drive economic growth and productivity. The full effects of Brexit on multiple industries remain to be seen and will no doubt play out over a long time period. During these phases of uncertainty and change, the strategic positioning of SRUC is of paramount importance. We have to ensure that we remain outward-facing and attractive to partners, collaborators and potential new investors.


In addition we must ensure that we stay focussed on our key strategic priority to become an enterprise University at the heart of the rural economy. A strong performance in our latest ELIR (Enhancement-led Institutional Review) is a major step along the path to becoming a University, and we are now developing a comprehensive institutional plan to support our formal submission.

Alongside our ambitious plans and long term vision we must keep our short term performance at the top of the agenda so that we can capture new opportunities. This means creating and managing an efficient and effective operating model that is both financially sustainable and agile, to ensure that new strategic opportunities are not missed. Our major workforce restructuring programme will continue into the next financial year to create the 'head space' to allow

reinvestment in areas that reflect better alignment with industry, underpin our research excellence, enhance our regional presence and global ambitions, and to drive the innovation and skills that Scotland needs to grow its economy.

Moreover, this scale of collective ambition and economic growth can only be achieved by unprecedented levels of collaboration. This was emphasised in our commissioned report on the economic case to establish a Rural University (<https://www.sruc.ac.uk/downloads/file/4284/strategic-economic-case-for-a-rural-university>) that drives greater intensity of collaboration between government, industry and expert centres. Working together more effectively internally and with external partners, business and government, can deliver transformational step changes in economic benefits and growth.

During the past twelve months we have solidified our strategic relationships with Aviagen through the creation of the Allermuir Avian Innovation and Skills centre and with the Moredun Research Institute through the co-location of our Veterinary Services lab that will house 75 SRUC staff. Furthermore, our latest announcements of a potential £8 million Dairy Innovation Centre in the South of Scotland, a collaborative Food centre in Aberdeen, and a £7 million Rural Veterinary Hub in Inverness, it is clear that we are making considerable progress. There is still much to do but the basic building blocks of our future ambition built around a framework of collaboration and a willingness to work and think differently are beginning to be realised.


.....
Wayne Powell
Principal and Chief Executive
3 September 2019

Directors' Report

Registered No: SC103046



The directors present their report for the year ended 31 March 2019

The current directors and those who held office during the year and to the date of approval of the financial statements are:

	Date of Appointment	Date of Retirement	Status of Appointment
Ms K Allison (staff elected)	13 Dec 2018	4 Oct 2021	Non-Executive
MS A Bruton	13 June 2019	June 2022	Non-Executive
Mr J Cumming CBE (Chairman from 1 August 2017)	1 Apr 2011	April 2022	Non-Executive
Mr R Dinning	11 Dec 2014	Oct 2020	Non-Executive
Ms K Dubarry (student elected)	13 Dec 2018	30 June 2019	
Mr J Hume	6 Oct 2017	Oct 2020	Non-Executive
Ms G Jones (student elected)	6 Oct 2017	15 Jun 2018	Non-Executive
Ms M Khnichich	13 June 2019	June 2022	Non-Executive
Mr A Marshall (Vice Chairman from October 2012)	5 Oct 2012	Sept 2019	Non-Executive
Professor S McDaid CBE (Vice Chairman from October 2015)	11 Oct 2013	Oct 2020	Non-Executive
Mr S MacKenzie (student elected)	13 Dec 2018	30 June 2019	Non-Executive
Ms C Millar	6 Oct 2017	Oct 2020	Non-Executive
Mr N Miller	1 May 2015	20 Apr 2018	Non-Executive
Ms E Murray	3 Sept 2019	Sept 2022	Non-Executive
Professor W Powell	1 Jul 2016	n/a	Chief Executive
Dr K Richards	11 Oct 2013	Oct 2020	Non-Executive
Mr W Ross OBE	6 Oct 2017	Oct 2020	Non-Executive
Professor S Skerratt (staff elected)	7 Dec 2015	7 Jun 2018	Non-Executive
Mr S Thomson (staff elected)	13 Dec 2018	4 Oct 2021	Non-Executive
Professor C Williams	9 Oct 2015	Oct 2021	Non-Executive
Mr B Wood CVO	6 Oct 2017	Oct 2020	Non-Executive

Non-Executive Directors are appointed for a term of up to three years. They are eligible for reappointment for one further term. The Board reviews appointments on an annual basis and appointments do not necessarily run to the full term. The Chair can serve a maximum of five years), the time period for which begins on their appointment as Chair. Staff members are elected for a term of three years and can choose to run for re-election for one further three year term. Students are appointed for one year - i.e. the length of their elected office.

The Executive Leadership Team (ELT) is responsible for the day to day management and currently consists of:

Principal and Chief Executive	Professor Wayne Powell
Academic Director	Professor Jamie Newbold
Director of Commercialisation and Innovation	Colin MacEwan
Director of Finance	Hugh Anderson
Director of Marketing, Digital and Communications	Caroline Bysh
Director of Policy Engagement	Professor Sarah Skerratt
Director of Professional Services	Gavin Macgregor

Directors' Report



Directors' attendance

Details of the Directors' attendance record at Board meetings and relevant Board Committee meetings in the period 1 April 2018 to 31 March 2019 are set out below. The number in brackets represents the number of meetings that the Director was eligible, as a member of the Board or Committee, to attend during the year.

	Board	SAC Commercial	Remuneration & Appointments Committee	Audit & Risk Committee	F&GP Committee
Number of meetings in period	8	6	6	4	4
Non-Executives SRUC					
Ms K Allison (staff elected)	4(5)		1(1)		
Mr J Cumming CBE +	8(8)	6(6)	6(6)		
Mr R Dinning	8(8)	1(1) ***		4(4)	
Ms K Dubarry (student elected)	5(5)				
Mr J Hume	8(8)	1(1) ***		1(1) ***	4(4)
Ms G Jones (student elected)	2(2)				
Mr A Marshall	8(8)	6(6)	6(6)	4(4)	1(1) ***
Professor S McDaid CBE	8(8)	1(1) ***	6(6)	1(1) ***	4(4)
Mr S MacKenzie (student elected)	6(7)	1(1) ***	1(1)		
Ms C Millar	7(8)	5(6)		1(1) ***	2(3)
Dr K Richards	8(8)	5(6)			
Mr W Ross OBE	6(8)	1(1) ***		1(1) ***	4(4)
Professor Sarah Skerratt (Staff elected)	2(2)				
Mr S Thomson (Staff elected)	3(5)				
Professor C Williams	5(8)		5(6)		
Mr B Wood CVO	8(8)	6(6)		4(4)	
Executives					
Prof W Powell	8(8)	6(6)	6(6) **	4(4) **	4(4) **
Non-Executives SAC Commercial only					
Mr J Cross *	4(4)	5(6)		3(4)	
Mr J McLean *	1(2)	3(3)		1(1)	3(3)

* SAC Commercial Board member only

**In attendance as an Executive

*** By invitation as a Non-Executive

+ Chair from 1 August 2017

Communication with Staff

SRUC is conscious of the value of keeping employees informed of the progress and future plans of the organisation and of the mutual benefit that is engendered by good internal communications particularly in times of change.

Information on matters important to employees is given through the SRUC Engage website, through staff briefing sessions and regular communications from the Engagement Leadership Team and the Principal.

It is also important to listen to our colleagues about what has been happening. In March 2019, we launched a follow-up Pulse Survey to the 2017 People Survey (which will be repeated in Spring 2020) to look at how well we are articulating our change to internal audiences. We saw an increase in the number of people who felt positive about the future of SRUC, the number of people who said they were clear about the vision for the future and the number of people who agree that changes are being communicated clearly.

Corporate Social Responsibility Policy

Corporate social responsibility (CSR) represents a commitment by SRUC to behave fairly and responsibly, sustain economic development while improving the quality of life for staff as well as contributing to local communities and society. SRUC recognises that social, economic and environmental responsibilities to stakeholders in the land-based industries are integral to SRUC's mission, vision and values and business success.

SRUC's mission to enhance the sustainability of the land-based industries is at the heart of its CSR policy. SRUC aims to improve the competitiveness of the land-based sector and thereby enhance livelihoods. We are reducing our greenhouse gas emissions by introducing energy efficiency measures and adopting procurement policies that favour sustainably-produced goods. Whenever feasible, SRUC promotes the adoption of modern and cleaner technologies by actively assisting its clients in minimising the environmental impacts of their operations.

SRUC is committed to ensuring that its business is carried out in all respects according to rigorous ethical, professional and legal standards.

SRUC values its staff. Our employment policies are directed at creating an environment that will attract, develop, motivate and reward employees of high calibre. Alongside its financial success as a business, SRUC recognises its responsibility to work in ways that add value to the lives of stakeholders and improve the world in which they live.

Disability Policy

SRUC is committed to ensuring disability equality in all our employment and operational practices, policies and procedures, and to a positive and proactive approach to people who have a disability/learning difficulty (e.g. a physical disability, sensory impairment, medical condition, learning difficulty or mental health condition).

SRUC seeks to enable employees with any such disability/learning difficulty to pursue successfully their work in equality with all other employees, through recognition of the additional support they may need to achieve this.

However, SRUC understand that many people are disabled by social, attitudinal and physical barriers and as such recognise a social model of disability that uses the following definition:

'There are societal barriers that prevent disabled people from achieving their full potential, hinder their personal development opportunities and limit access to a full role in society'.

In order to address this, SRUC will seek to overcome these barriers by providing any reasonable adjustments where appropriate to do so. SRUC acknowledge that disabled people are not all the same and that each person may have different needs. SRUC understand that disabled people and organisations which represent them are best placed to describe their individual needs and specific requirements.

Equalities Policy

SRUC is committed to a policy of equal opportunity for all employees and potential recruits irrespective of a person's gender, age, marital status, parental status, race, colour, nationality, ethnic origin, religious beliefs, sexual orientation, gender identity, gender reassignment, transsexualism or physical or mental disability, or any other discriminatory distinction. Information is

maintained to enable appropriate data to be collated.

The aim of SRUC's policy is to ensure that the talents of all employees are used to the full and that each individual has the opportunity to fulfil their potential and achieve their career ambitions.

SRUC believes that excellence will be achieved through recognising the value of every individual. We aim to create an environment that respects the diversity of employees and enables them to achieve their full potential, to contribute fully, and to derive maximum benefit and enjoyment from their involvement in the business life of SRUC.

Union representation

During the year ended 31 March 2019 SRUC employed 5 staff who were relevant union officials which equated to 3.9 full time employees. They all spent between one and forty four percent of their hours on facility time. The cost of this facility time was £24,584 which equalled 18.9% of the total relevant pay bill.

Modern Slavery Act 2015

In line with the provisions of the Modern Slavery Act 2015 (the Act) SRUC has a zero tolerance policy towards slavery and human trafficking and we are fully committed to ensuring there are no instances of modern slavery or human trafficking within our organisation, or within our supply chains.

SRUC has a permanent presence in Scotland and carries out some activities in other countries, principally in England, the rest of Europe and in Africa. Our business is conducted under the names of SRUC, SAC Commercial Limited and SAC Consulting and this statement covers all our activity.

During 2018/19 we assessed the risk of Modern Slavery within SRUC'S activities conducted in Scotland and the rest of the UK and concluded that the risk is low. However, we recognise the potential risks linked to the extended and indirect supply chain of goods and services generated by the global economy. For SRUC, such risks are reduced as an ever increasing proportion of these goods and services are sourced through collaborative contracts let by Advanced Procurement of Universities and Colleges (APUC), the Scottish Government, and other Public Sector centres of procurement excellence.

Within the current financial year we have undertaken a review of our procurement policies and contract terms and conditions to ensure that all persons entering our supply chain are compliant with the provisions of the Act and all other applicable laws. For existing key suppliers, we will continue to engage with them to ensure that there are no issues at present and that where possible, preventative measures are developed and put in place.

SRUC encourages all of our employees to report in 'good faith' any issues or concerns about potential breaches of the Act. Any employee that raises an issue is fully protected by our Whistle Blowing Policy. To support our staff and improve their understanding of the risks of Modern Slavery, all staff have been tasked with completing an on-line training course by 31 May 2019.

In addition SRUC recruitment policies and procedures, and the consistent application and monitoring of them ensure that we meet the provision of the act as an employer.

Environmental Policy

SRUC is committed to promoting sustainability in the land-based sector, helping to mitigate climate change and minimising any adverse impact of our activities, directly and through our influence on others. To achieve excellence in sustainable development we provide further and higher education to prepare future generations with the necessary skills, knowledge and understanding. Our main goal is to embed sustainability in learning and teaching, and supporting careers that contribute to sustainability both directly and through sparking debate on the complex issues surrounding a sustainable world.

We undertake world leading research on climate change mitigation and adaptation, particularly in the agricultural and wider land based sectors. Through our consultancy and education functions, we foster collaborative relationships between research and education. This ensures that research is translated into impact as quickly and effectively as possible to support and inform Scotland's land-based sector.

Our commitment to act on climate change mitigation and adaptation includes action to meet the 2050 greenhouse gas reduction targets. We will continue to develop and monitor our Carbon Management Plan, our environmental objectives

and targets to assist in meeting our obligations and commitments.

Health and Safety Policy

Health, safety and welfare are an integral part of every function within SRUC, and their successful management is as important as any other management activity. SRUC recognises that legal requirements define the *minimum* level of achievement. A cornerstone of SRUC's approach is to plan for continuous improvement in health and safety management systems.

It is SRUC's policy to provide and maintain a programme of continual improvement incorporating good Health and Safety practices into all aspects of its services. This was demonstrated by successful implementation of our Healthy Learning and Wellbeing Strategy over the past year.

The Health and Safety Leadership Policy document was issued in February 2017 reinforcing the need for Health and Safety to be embedded into the culture of SRUC. This emphasises the leadership responsibility of managers whilst empowering staff to raise issues to ensure a safety conscious environment.

Quality Assurance

SAC Consulting and SRUC Research are certified to ISO 9001:2008 and as an organisation significant other parts of SRUC are also certified to OHSAS 18001:2007. The SRUC Environment & Design Team and Elmwood campus are certified to ISO 14001:2004 and the Veterinary Services Group (part of the Consulting Division) holds ISO 17025:2005 accreditation for the SRUC Veterinary Services Group and SAC Commercial Ltd.

SRUC, as a Scottish Higher Education Institution, is compliant with the requirements of the Scottish Quality Enhancement Framework. Quality is further monitored by Education Scotland, Awarding Bodies such as Scottish Qualifications Authority and City and Guilds as well as the Validating Universities of Glasgow and Edinburgh.

Creditors Policy

SRUC follows the Better Payment Practice Code. As a business our policy is to agree payment terms at the outset and stick to them; explain our payment procedures to suppliers; pay bills in accordance with any contract agreed with the supplier or as

required by law; inform suppliers without delay when an invoice is contested, and settle disputes quickly.

As at 31 March 2019 there were 27 days (2018 – 33 days) of creditors outstanding. Interest paid under the Late Payment of Commercial Debts (Interest) Act 1998 amounted to nil (2017 nil).

Third Party Indemnity Insurance

SRUC has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report.

Directors' Statement on Going Concern

In line with the Financial Reporting Council's guidance on going concern, the directors have undertaken an exercise to review the appropriateness of the continued use of the going concern basis.

Whilst the directors recognise and have considered the challenges facing the organisation as outlined in the Strategic Report and determine that a focus on financial sustainability must be at the forefront of the strategy, the directors are satisfied that the Group has adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis of accounting in preparing the annual financial statements.

Auditor

External audit services were put to competitive tender in 2015 and Ernst & Young LLP were successful in securing the contract for three years to 31 January 2019. During the year the contract was extended for a further two years to 31 January 2021. Internal audit services were also tendered in 2015 and KPMG were reappointed for three years to 31 March 2019. During the year the contract was extended for one year to 31 March 2020.

Directors' Statement as to Disclosure of Information to External Auditor

The directors who were members of the board at the time of approving the Directors' Report are listed in this report. Having made enquiries of

Directors' Report

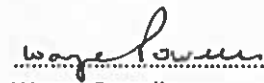


fellow directors and of the company's external auditor, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's external auditor is unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's external auditor is aware of that information.

This report was approved by the Board on 3 September 2019 and signed on its behalf by:


James Cumming
Chairman


Wayne Powell
Principal and Chief Executive

Introduction

SRUC is committed to upholding best practice in all aspects of Corporate Governance.

This summary describes the manner in which the Board has applied the principles in the Annual Financial Statements Direction as issued by the Scottish Funding Council. The purpose of this summary is to help the reader of the reports and financial statements understand how the principles of good governance set out in the codes have been applied.

Statement of Compliance with the Scottish Code of Good HE Governance

A revised Scottish Code of Good Higher Education Governance was published in 2017 replacing the 2013 Scottish Code of Good Higher Education Governance.

During the year ended 31 March 2019, implementation of recommendations from a full external governance review carried out by an independent third party was completed. The review identified areas of strengths and areas for improvement and a significant amount of work was undertaken to enhance corporate governance and to implement the recommendations. In addition, work was carried out on completion of a scheme of delegation and on updating statements relating to primary responsibilities and reserved powers. Further board induction and training was carried out and strategy related KPIs were approved. Elections were held to appoint two staff members to the Board and two student members were appointed.

In the opinion of the Board, SRUC complies with the principles and provisions of the 2017 Scottish Code of Good Higher Education Governance with the exception of a small number of areas linked principally to compliance with the Higher Education Governance (Scotland) Act 2016. Compliance with the Act requires amendment to the SRUC Articles of Association. It is the intention of the Board to be fully compliant as soon as practicable, with processes underway to amend the Articles of Association and any related matters before the deadlines laid down in the Act.

Board of Directors

The Board comprises non-executive and executive directors. The roles of Chairman and Vice-Chairmen of the Board are separated from the role of the Principal and Chief Executive. The Board is responsible for the on-going strategic direction of SRUC, approval of major developments, and the receipt of regular reports from executive directors and managers on the day to day operations of its business and its subsidiary companies.

The size of the Board is regulated by the Articles of Association with a maximum of 25 directors of which 19 can be non-executive directors. SRUC maintains a skills matrix which is used for the recruitment of non-executive directors and succession planning to ensure our diverse needs are adequately reflected in the skills of the Board.

Board Committees

In order to be able to devote sufficient time to strategic issues, the Board delegates certain tasks to its standing committees as set out below. All of these committees are formally constituted with terms of reference and comprise mainly non-executive directors, one of whom is the Chair, and are attended as appropriate by members of the ELT. The decisions of these committees are reported to the Board. During the year, all committees have reviewed their terms of reference, which were duly updated as required.

Academic Board

The Academic Board has delegated authority from the SRUC Board to be responsible for the overall planning, development, co-ordination and supervision of the academic work of SRUC. Membership is drawn from across SRUC and will include staff and student representatives as set out in the Higher Education Governance (Scotland) Act 2016. During the year, the remit and related sub-committee arrangements of the Academic Board were amended to reflect changes in the Academic structure. The Board meets at least once a term and is chaired by the Principal and Chief Executive.

Remuneration and Appointments Committee

The Remuneration and Appointments Committee considers nominations for new directors from the Nominations Committee which includes staff and student representatives and makes recommendations on appointment to the Board. The Appointments and Remuneration Committee determines the remuneration of executive directors. It also considers overall pay and employment terms for the Group and makes the recommendations to the Board for Professorial and Honorary awards. The Appointments and Remuneration Committee meets a minimum of three times each year and is chaired by a Non-Executive Director.

Audit and Risk Committee

The Audit and Risk Committee reviews the effectiveness of financial and internal control systems, in particular those relating to risk management, corporate governance, internal and external audit as well as overseeing compliance with legislation. The Committee is chaired by a Vice Chairman of the Board, includes an external independent member and meets a minimum of three times each year, with the external and internal auditor in attendance.

Finance and Estates Committee

The Finance and Estates Committee monitors the financial affairs of the Group and advises the Board on financial policy and planning. It also provides strategic direction in terms of the Infrastructure Strategy. It is chaired by a Vice Chair of the Board and meets a minimum of three times annually. During the year, the remit of the Committee, in common with the other two Board Committees was reviewed and its name changed to reflect its responsibility for oversight of SRUC's estate. The Finance and Estates Committee discharges Trustee responsibilities with regard to the investment and disbursement of trust funds and reviews these on an annual basis.

Statement of Internal Control

The SRUC Board is ultimately responsible for SRUC's system of internal control and the Principal and Chief Executive is responsible for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The ELT receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms.

The strategic planning process acts as a key control. The ELT meets annually with senior managers to consider progress over the last financial year and key drivers for the planning process for the forthcoming planning cycle. This informs the discussion with the SRUC Board at an annual board strategic planning session. Meetings are held with each division to discuss the specific group plans.

The Audit and Risk Committee's role in internal control is integral to managing the externally sourced internal audit function. The internal auditor monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan, and report their findings to management and the Audit and Risk Committee. Management is responsible for the implementation of agreed audit recommendations and the internal auditor undertake periodic follow-up reviews to ensure that such recommendations have been implemented. The Audit and Risk Committee considers summarised reports together with recommendations for the improvement of the SRUC's systems of internal control and management's responses and implementation plans.

It also receives and considers reports from the Scottish Funding Council as they affect SRUC's business and monitors adherence to the regulatory requirements.

Whilst senior executives attend meetings of the Audit and Risk Committee as necessary, they are not members of the Committee and the Committee meets the internal and external auditors, at least once a year, on their own for independent discussions.

Corporate Governance Statement



The SRUC Board receives regular reports from the ELT and the Audit and Risk Committee.

The SRUC Board is of a view that there is an on-going process for identifying, evaluating and managing the SRUC's significant risks, and that it has been in place throughout the year ended 31 March 2019 and up to the date of approval of the annual report and financial statements.

A handwritten signature in black ink, appearing to read 'James Cumming', is written over a horizontal dotted line.

James Cumming
Chairman

A handwritten signature in black ink, appearing to read 'Wayne Powell', is written over a horizontal dotted line.

Wayne Powell
Principal and Chief Executive

3 September 2019

Statement of the Responsibilities of the Board of SRUC



The Board is responsible for ensuring that the affairs of SRUC are administered and managed appropriately including an effective system of internal control, and that audited financial statements are presented for each financial year.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of SRUC, and ensure that the financial statements are prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006, the Statement of Recommended Practice on Accounting in Higher Education Institutions, and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between SRUC and SFC, the Board, through its designated Accountable Officer (Principal and Chief Executive), is required to prepare financial statements for each financial year which give a true and fair view of SRUC's state of affairs and of the surplus or deficit and cash flows for that year and comply with the principles of good governance set out in the 2013 Scottish Code of Good Higher Education Governance and be working towards compliance with the principles of good governance set out in the 2017 Scottish Code of Good Higher Education Governance.

In causing the financial statements to be prepared, the Board has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Institution will continue in operation. The Board is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board has taken reasonable steps to:

- ensure that funds from Scottish Government and SFC and other public funding bodies are used only for the purposes for which they have been granted;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of SRUC and prevent and detect fraud;
- secure the economical, efficient and effective management of SRUC's resources and expenditure.

Independent Auditor's Report to the Trustees and Members of SRUC

Opinion

We have audited the financial statements of SRUC for the year ended 31 March 2019 which comprise the Group and Company Statement of Comprehensive Income, the Group and Company Statement of Changes in Reserves, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Statement of Principal Accounting Policies and the related notes 1 to 36. 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" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- ▶ give a true and fair view of the state of the Group's and of the Charitable Company's affairs as at 31 March 2019 and of the Group's surplus and the Charitable Company's deficit and the Group's cash flows for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 "The Financial Reporting Standard applicable in the UK";
- ▶ have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. The directors 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 this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the Trustees and Members of SRUC (continued)

Opinions on other matters prescribed by the Companies Act 2006

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

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

Opinion on other matters prescribed by the terms of our engagement

In our opinion, in all material respects:

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires 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 directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit

Responsibilities of the directors

As explained more fully in the Statement of the Responsibilities of the Board of SRUC, the directors (who are also the trustees for the purposes of charity 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 directors 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 directors are responsible for assessing the group's and the parent 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 directors either intend to liquidate the group or the parent charitable 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 regulations made under those Acts.

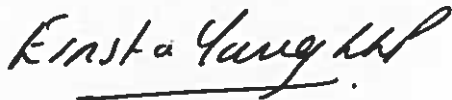
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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.

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 SRUC (continued)

Use of our report

This report is made solely to the members and trustees of SRUC, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and 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 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 SRUC and the members and trustees as a body, for our audit work, for this report, or for the opinions we have formed.



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

5 September 2019

Notes:

1. The maintenance and integrity of SRUC's web site is the responsibility of the directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Group and Company Statement of Comprehensive Income



Year ended 31 March 2019

	Note	2019 Group £000	2018 Group £000 restated	2019 Company £000	2018 Company £000 restated
Income					
Scottish Government grants	1	17,000	14,695	14,010	11,650
Scottish Funding Council	2	26,238	24,482	26,238	24,459
Tuition fees and education contracts	3	7,422	7,725	7,378	7,711
Research grants and contracts	4	8,081	6,991	3,627	3,061
Advisory and consultancy contracts	5	15,785	15,215	1,122	2,012
Other operating income	6	8,295	8,897	6,783	9,360
Investment income	7	280	209	280	209
Total income before endowments and donations		83,101	78,214	59,438	58,462
Endowments and donations	8	31	-	31	-
Total Income		83,132	78,214	59,469	58,462
Expenditure					
Staff costs	9	47,104	44,576	45,467	43,110
Other operating expenditure		27,811	25,630	5,945	7,426
Depreciation and impairment	13-15	7,850	4,855	7,683	4,721
Interest and other finance costs	12	681	777	681	777
Total expenditure	11	83,446	75,838	59,776	56,034
(Deficit)/surplus before other gains and losses		(314)	2,376	(307)	2,428
(Loss)/gain on disposal of fixed assets		(267)	140	(267)	102
Movement in value of investments		70	2	70	2
(Deficit)/surplus for the year		(511)	2,518	(504)	2,532
Actuarial (loss)/gain in respect of pension schemes		(4,722)	5,058	(4,722)	5,058
Total comprehensive income for the year		(5,233)	7,576	(5,226)	7,590
Represented by:					
Endowment comprehensive income for the year		216	80	216	80
Unrestricted comprehensive income for the year		(5,449)	7,496	(5,442)	7,510
		(5,233)	7,576	(5,226)	7,590

All items of income and expenditure relate to continuing activities.

Statement of Changes in Reserves

Year ended 31 March 2019



	Endowment	Unrestricted	TOTAL
Group	£000	£000	£000
Balance at 1 April 2017	4,938	(300)	4,638
Surplus from the income and expenditure statement	80	2,438	2,518
Other comprehensive income	-	5,058	5,058
Total comprehensive income for the year	80	7,496	7,576
Balance at 1 April 2018	5,018	7,196	12,214
Surplus from the income and expenditure statement	216	(727)	(511)
Other comprehensive income	-	(4,722)	(4,722)
Total Comprehensive income for the year	216	(5,449)	(5,233)
Balance at 31 March 2019	5,234	1,747	6,981
Company			
Balance at 1 April 2017	4,938	(429)	4,509
Surplus from the income and expenditure statement	80	2,452	2,532
Other comprehensive income	-	5,058	5,058
Total Comprehensive income for the year	80	7,510	7,590
Balance at 1 April 2018	5,018	7,081	12,099
Surplus/(deficit) from the income and expenditure statement	216	(720)	(504)
Other comprehensive income	-	(4,722)	(4,722)
Total Comprehensive income for the year	216	(5,442)	(5,226)
Balance at 31 March 2019	5,234	1,639	6,873

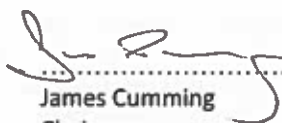
Balance Sheet


At 31 March 2019



	Note	Group		Company	
		2019 £000	2018 £000	2019 £000	2018 £000
Non-current assets					
Intangible assets	13	924	1,102	924	1,102
Negative goodwill arising from College merger	14	(33,050)	(34,393)	(33,050)	(34,393)
Fixed assets	15	85,951	85,617	85,951	85,617
Investments	16	5,434	5,213	5,434	5,213
		<u>59,259</u>	<u>57,539</u>	<u>59,259</u>	<u>57,539</u>
Current assets					
Stocks	17	2,742	2,648	2,742	2,648
Debtors	18	13,521	16,528	9,596	12,899
Assets held for resale		284	2,451	284	2,451
Current asset investments		2,300	5,700	2,300	5,700
Cash and cash equivalents		17,698	8,113	17,364	8,007
Total current assets		<u>36,545</u>	<u>35,440</u>	<u>32,286</u>	<u>31,705</u>
Creditors: amounts falling due within one year	19	(22,144)	(21,325)	(17,993)	(17,705)
Net current assets		<u>14,401</u>	<u>14,115</u>	<u>14,293</u>	<u>14,000</u>
Total assets less current liabilities		<u>73,660</u>	<u>71,654</u>	<u>73,552</u>	<u>71,539</u>
Creditors: amounts falling due after one year	20	(34,900)	(33,336)	(34,900)	(33,336)
Provisions					
Other provisions	22	(1,145)	(1,160)	(1,145)	(1,160)
Pension provisions	32	(30,634)	(24,944)	(30,634)	(24,944)
Total Net Assets		<u>6,981</u>	<u>12,214</u>	<u>6,873</u>	<u>12,099</u>
Reserves					
Restricted reserve					
Endowment reserve	30	5,234	5,018	5,234	5,018
Unrestricted reserves					
Income and expenditure reserve		1,747	7,196	1,639	7,081
Total Reserves		<u>6,981</u>	<u>12,214</u>	<u>6,873</u>	<u>12,099</u>

The financial statements were approved on 3 September 2019 and signed on behalf of the Board by:


James Cumming
Chairman


Wayne Powell
Principal and Chief Executive

Group Cash Flow Statement

For the Year Ended 31 March 2019



	Note	2019 £000	2018 £000
Net cash inflow from operating activities	24	5,548	2,950
Return on investments and servicing of finance	25	101	49
Capital expenditure and financial investment	26	(4,554)	(2,084)
Financing	27	5,090	(104)
Management of liquid resources	28	3,400	(800)
Increase in cash in the year		9,585	11
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the year	29	9,585	11
(Increase)/decrease in debt and leasing finance	29	(5,108)	105
Increase in net cash		4,477	116
Net cash at 1 April	29	7,909	7,793
Net cash as at 31 March	29	12,386	7,909

Statement of Principal Accounting Policies



Statement of compliance

SRUC is a company limited by guarantee incorporated in Scotland. The registered office is West Mains Road, Edinburgh EH9 3JG.

The group's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Group for the year ended 31 March 2019.

Basis of preparation

These financial statements have been prepared under the historic cost convention, modified to include listed investments at their market value, and have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. The College is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102.

The financial statements of SRUC were authorised for issue by the Board of Directors on 3 September 2019. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the group and rounded to the nearest £'000.

Basis of consolidation

The group financial statements include SRUC and its subsidiary and quasi-subsidiary undertakings. Intra-group transactions are eliminated on consolidation. The activities of the Student Representative Council have not been consolidated as SRUC has no financial interest and no control or significant influence over policy decisions.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. It is the view of the directors that there are no significant or material accounting judgements.

The following are the Groups key sources of estimation uncertainty:

Pensions

The costs of defined benefit pension plans and unfunded pension benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds with at least AA rating with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. The impact on the changes in the discount rate, life expectancy and inflation is included in note 31.

Goodwill and intangible assets

The group establishes a reliable estimate of the useful life of goodwill arising on business combinations by using external valuers. This estimate is based mainly on the remaining useful lives of the assets and is reassessed annually to ensure the value to the business has not been impaired.

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. This is typically in line with work done and hence costs incurred.

Where applicable, surplus is calculated on a prudent basis to reflect the proportion of work carried out at the year end. Full provision for losses is made in the year in which the losses are first foreseen.

Project Expenditure recognised over amounts invoiced is reflected within debtors as 'Amounts Recoverable on Contracts'. The excess of Project Income received over amounts recognised as revenue is reflected within creditors as 'Payments Received in Advance'

Statement of Principal Accounting Policies



Income recognition (cont'd)

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Comprehensive Income 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.

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

Funds SRUC receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of SRUC where SRUC is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Grant funding

Grant funding including Scottish Funding Council education and research grants, research grants from government sources are recognised as income when SRUC 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.

Grants (including research grants) from sources are recognised in income when SRUC 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 SRUC 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 SRUC is entitled to the funds.

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

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

1. 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.

2. Unrestricted donations.

Capital grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when SRUC is entitled to the funds subject to any performance related conditions being met.

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

Land and Buildings

Land and buildings are stated at cost. Freehold land is not depreciated. Freehold buildings, including any subsequent capital expenditure, are depreciated over their expected useful economic life to SRUC of up to 50 years. Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Buildings acquired on merger have been valued at depreciated replacement cost which is deemed to be fair value on acquisition. Land acquired on merger has been valued at market value.

Statement of Principal Accounting Policies



Land and Buildings (cont'd)

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 March. They are not reclassified as Buildings or depreciated until they are brought into use.

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

Scottish Government (visa the SFC) maintains an interest in tangible fixed assets funded by capital grants from them.

Equipment

Equipment costing less than £5,000 per individual item or group of related items is written off in the year of acquisition. All capitalised equipment is stated at cost.

Capitalised equipment is depreciated on a straight line basis over its useful life as follows:

Motor Vehicles	4 years
Computer and other equipment	5 – 10 years
Equipment acquired for specific research or projects	Project Life

Software- Intangible asset

Software is capitalised at cost where the software is directly involved with the creation of an asset, or is an identifiable support to the business. Capitalised software is depreciated over 5 years. Software that is not capitalised is instead treated as a consumable, and is expensed during the year of purchase.

Accounting for Business Combinations and Associated Negative Goodwill

SAC merged with Barony College, Elmwood College and Oatridge College on 1 October 2012.

The merger was accounted for by the "acquisition method of accounting" in order to comply with FRS6, Acquisitions and Mergers. Fair values are

attributable to the net separable assets and liabilities. The benefit arising as a consequence of no consideration having been paid by SAC for the net value of the assets acquired is included in the consolidated balance sheet as negative goodwill as a deduction from tangible and intangible fixed assets. The fair value of the benefit arising in relation to non-monetary assets is released to the income and expenditure account over the periods in which the non-monetary assets are recovered, whether through disposals or depreciation. The release is aligned with the corresponding depreciation charge relating to the assets.

Investments

Endowment asset investments relate to restricted endowments held in Trusts controlled by SRUC and are included in the balance sheet at valuation. Income less expenditure and net movements in the valuation are included in the Statement of Comprehensive Income and Expenditure.

Other listed investments are included at market value.

Stocks

Stocks are stated at the lower of their cost or net realisable value.

Taxation

SRUC is a charity within the meaning of Part 1, chapter 2, s7 of the Charities and Trustee Investment (Scotland) Act 2005 and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly the Institution is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA 2009 and sections 471, and 478-488 CTA 2010 (formerly s505 of ICTA 1988) 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

SRUC receives no similar exemption in respect of Value Added Tax, the irrecoverable element of which is charged to expenditure.

Statement of Principal Accounting Policies



Taxation (cont'd)

SRUC's subsidiary companies are subject to Corporation Tax and VAT in the same way as any commercial organisation. Surpluses where they arise are passed by way of gift aid to SRUC.

Cash Flows and cash equivalents

Cash flows comprise increases or decreases in cash. Cash includes cash in hand and at the bank, deposits repayable on demand and bank overdrafts but excludes any assets held as endowment asset investments. Liquid resources include term deposits held as part of SRUC's treasury management activities but exclude any assets held as endowment asset investments.

Foreign Currencies

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. The resulting exchange differences are dealt with in the determination of income & expenditure for the financial year.

Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised when SRUC has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is discounted to present value where the time value of money is material. The discount rate used reflects current market assessments of the time value of money and reflects any risk specific to the liability. Contingent liabilities are disclosed by way of a note, when the definition of a provision is not met and includes three scenarios: possible rather than present obligation; a possible rather than a probable outflow of economic benefit; an inability to reliably measure the possible outflow. Contingent assets are disclosed by way of a note, where there is a possible, rather than a present, asset arising from a past event.

Agency Arrangements

Funds which SRUC receives and disburses as paying agent on behalf of a funding body or other body, where SRUC is exposed to minimal risk or enjoys minimal economic benefit related to the receipt and subsequent disbursement of the funds, are excluded from the income and expenditure account.

Pensions

Retirement benefits to employees of the SRUC Group are provided by seven superannuation schemes being: the Research Council Pension Scheme (RCPS), the SRUC Group Pension Plan, the Citrus Pension Plan, the Dumfries and Galloway Council Pension Fund (DGCPF), the Fife Council Pension Fund (FCPF), the Lothian Pensions Fund (LPF) and Scottish Teachers' Superannuation Scheme (STSS).

The RCPS scheme is a defined benefit scheme. Contributions to the scheme are made in accordance with an agreed funding model and recognised in the income statement.

The Group Pension Plan is a defined contribution scheme. Obligations for contributions are recognised as an expense in the income statement in the periods during which service are rendered by employees.

The Citrus Pension Plan and the local government pension schemes (DGCPF, FCPF and LPF) are defined benefit plans. Under defined benefit plans, SRUC'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 SRUC. SRUC recognises 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.

Pensions (cont'd)

Where the calculation results in a net asset, recognition of the asset is limited to the extent to which SRUC is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Leases

Costs in respect of operating leases are charged on a straight line basis to the income statement over the lease term. Any lease premium or incentives are spread over the minimum lease term.

Leasing agreements which transfer to SRUC substantially all the benefits and risks of ownership of an 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 of the lease term. Any lease premium or incentives are spread over the minimum lease term.

Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to SRUC, are held as a permanently restricted fund which SRUC must hold in perpetuity. Other restricted reserves include balances where the donor has designated a specific purpose and therefore SRUC is restricted in the use of these funds.

Notes to the Financial Statements



1. Scottish Government Grants

	2019 Group £000	2018 Group £000	2019 Company £000	2018 Company £000
Recurrent grant				
Research and development	6,366	6,112	6,366	6,112
Advisory	6,894	7,043	3,904	3,998
	<u>13,260</u>	<u>13,155</u>	<u>10,270</u>	<u>10,110</u>
Release from deferred capital grants				
Buildings (note 21)	2,681	727	2,681	727
Equipment (note 21)	1,059	813	1,059	813
	<u>17,000</u>	<u>14,695</u>	<u>14,010</u>	<u>11,650</u>

2. Scottish Funding Council

	2019 Group £000	2018 Group £000 restated	2019 Company £000	2018 Company £000 restated
Education teaching HE				
Education provision FE	11,268	10,758	11,268	10,758
Research and innovation	8,850	8,781	8,850	8,781
Condition survey grant	4,397	3,880	4,397	3,857
Strategic funding	541	-	541	-
	<u>440</u>	<u>-</u>	<u>440</u>	<u>-</u>
	25,496	23,419	25,496	23,396
Release from deferred capital grants				
Buildings (note 21)	402	907	402	907
Equipment (note 21)	340	156	340	156
	<u>26,238</u>	<u>24,482</u>	<u>26,238</u>	<u>24,459</u>

3. Tuition Fees and Education Contracts

	2019 Group £000	2018 Group £000 restated	2019 Company £000	2018 Company £000 restated
Home and EU higher education fees	2,111	2,194	2,110	2,194
Rest of UK	426	343	426	343
Non-EU students	65	53	65	53
UK further education students	59	54	59	54
	<u>2,661</u>	<u>2,644</u>	<u>2,660</u>	<u>2,644</u>
Education contracts	4,085	4,422	4,070	4,435
Short course fees	676	659	648	632
	<u>7,422</u>	<u>7,725</u>	<u>7,378</u>	<u>7,711</u>

The prior year figures have been restated by £783k to reallocate externally funded PhD students from SFC education income to education contracts.

4. Research Grants and Contracts

	2019 Group £000	2018 Group £000	2019 Company £000	2018 Company £000
European union	672	472	645	462
Research councils	1,623	1,407	1,623	1,407
UK public bodies	3,238	2,940	1,030	1,013
Other	2,548	2,172	329	179
	<u>8,081</u>	<u>6,991</u>	<u>3,627</u>	<u>3,061</u>

5. Advisory and Consultancy Contracts

	2019 Group £000	2018 Group £000	2019 Company £000	2018 Company £000
Consultancies and subscriptions	11,508	10,809	415	305
Analytical services	3,306	3,405	707	1,707
Farm financial statements scheme	929	955	-	-
Publications	42	46	-	-
	<u>15,785</u>	<u>15,215</u>	<u>1,122</u>	<u>2,012</u>

Notes to the Financial Statements



6. Other Operating Income

	2019 Group £000	2018 Group £000	2019 Company £000	2018 Company £000
Residences, catering and conferences	2,088	2,034	2,056	2,022
Sales of farm products	3,839	4,302	-	-
Rents	1,048	902	667	477
Other income	1,320	1,659	4,060	6,861
	<u>8,295</u>	<u>8,897</u>	<u>6,783</u>	<u>9,360</u>

7. Investment income

	Group and company	
	2019 £000	2018 £000
Investment income on endowments	172	147
Other investment income	108	62
	<u>280</u>	<u>209</u>

8. Donations and Endowments

	Group and company	
	2019 £000	2018 £000
New endowments	31	-
	<u>31</u>	<u>-</u>

9. Staff Costs

	2019 Group £000	2018 Group £000	2019 Company £000	2018 Company £000
Wages and salaries	37,240	35,926	35,886	34,712
Social security costs	3,718	3,714	3,594	3,596
Other pension costs	5,059	4,936	4,900	4,802
	<u>46,017</u>	<u>44,576</u>	<u>44,380</u>	<u>43,110</u>
Severance costs	1,087	-	1,087	-
	<u>47,104</u>	<u>44,576</u>	<u>45,467</u>	<u>43,110</u>

The severance costs are in respect of redundancy payments to employees whose employment has ceased or is likely to cease which has been calculated in accordance with the SRUC redundancy policy which has been agreed with the trade unions and approved by the Board.

Notes to the Financial Statements



9. Staff Costs (cont'd)

The average monthly number of persons (including Executive Directors) employed by SRUC during the period, expressed as full-time equivalent was:

	2019	2018
	Number	Number
Academic teaching departments	207	271
Academic support	65	-
Research grants and contracts	246	261
Administration and central services	114	118
Premises and estates	50	53
Residencies, catering and conferences	15	13
Other including income generating operations	410	423
	<u>1,107</u>	<u>1,139</u>

Analysis of the above staff costs by activity:

	£000	£000
Academic teaching departments	9,760	8,670
Academic support	2,704	2,614
Research grants and contracts	10,493	10,687
Administration and central services	5,751	5,335
Premises and estates	1,590	1,617
Residencies, catering and conferences	548	443
Other including income generating operations	15,171	15,210
	<u>46,017</u>	<u>44,576</u>
Severance costs	1,087	-
	<u>47,104</u>	<u>44,576</u>

The number of staff, including Executive Directors and Principal and Chief Executive, who received remuneration in the following ranges excluding employers' pension contributions was:

	Group 2019		Group 2018	
	Number Directors	Number Other Staff	Number Directors	Number Other Staff
£100,001 to £105,000	-	1	-	2
£105,001 to £110,000	-	2	-	-
£115,001 to £120,000	-	3	-	-
£130,001 to £135,000	-	-	-	1
£145,001 to £150,000	-	1	-	-
£150,001 to £155,000	-	1	-	-
£190,001 to £195,000	-	-	1	-
£195,001 to £200,000	1	-	-	-
£215,001 to £220,000	-	1	-	-
	<u>1</u>	<u>9</u>	<u>1</u>	<u>3</u>

Included in the numbers of other staff in 2019 are five staff members who received severance payments.

9. Staff Costs (cont'd)

Key management personnel

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the college. The costs below represent the costs of the members of the Executive Leadership Team (ELT) for the period. Staff costs include compensation paid to key management personnel. The ELT membership is listed on page 9.

	2019	2018
	£000	£000
Key management personnel compensation	904	945
Number of staff	<u>7</u>	<u>8</u>

10. Directors' Remuneration

	2019	2018
The number of Executive Directors during the year including the Principal and Chief Executive	<u>1</u>	<u>2</u>

	2019	2018
	£000	£000
Salaries	204	233
Fees (Non-Executive Directors)	124	141
Pension contributions	34	38
	<u>362</u>	<u>412</u>

The emoluments of the Principal and Chief Executive (also the highest paid director)

	2019	2018
	£000	£000
Salary	197	195
Taxable benefits	7	9
Pension	34	33
	<u>238</u>	<u>237</u>

The remuneration of the Principal in the year ended 31 March 2019 was £238k. This was 6.6 times (2018-7.3 times) the median of the total remuneration of the workforce and 6.4 times (2018- 7.3 times) the median salary of the workforce.

A proportion of the Non-Executive Directors fees are recharged to a subsidiary undertaking.

Notes to the Financial Statements



11. Analysis of total operating expenditure by activity

	2019	2018	2019	2018
	Group	Group	Company	Company
	£000	£000	£000	£000
Academic departments	15,299	14,172	15,269	14,013
Research grants and contracts	15,318	15,265	11,807	11,819
Administration and central services	9,938	8,227	9,845	8,199
Premises and estates	7,017	6,487	6,387	5,703
Residencies, catering and conferences	3,740	3,274	3,498	3,039
Other including income generating operations	24,946	23,952	5,949	8,933
Depreciation and impairment	7,850	4,854	7,683	4,721
Release of negative goodwill	(1,343)	(1,170)	(1,343)	(1,170)
Interest	681	777	681	777
	<u>83,446</u>	<u>75,838</u>	<u>59,776</u>	<u>56,034</u>

Other operating expenditure includes:

	Group and company	
	2019	2018
	£000	£000
Operating lease rentals	869	929
Fees charged by external auditor:		
SRUC and subsidiary companies		
Audit fee	66	65
Audit-related assurance services	11	14
Tax compliance services	-	7
Fees charged by internal auditor:		
Internal audit services	33	59
Tax compliance services	12	11
Tax advisory services	8	12
Other compliance work	9	26
	<u>869</u>	<u>929</u>

12. Interest and other finance costs

	Group and company	
	2019	2018
	£000	£000
Finance lease interest	7	13
Net interest charge – pension schemes	674	764
	<u>681</u>	<u>777</u>

Notes to the Financial Statements



13. Intangible Fixed Assets

	Group and company	
	2019 £000	2018 £000
At 1 April 2018	1,102	801
Additions in year	8	465
Amortisation charge for the year	(186)	(164)
At 31 March 2019	<u>924</u>	<u>1,102</u>

Included in intangible fixed assets is software under development of £758k (2018: £918k).

14. Negative Goodwill

	Group and company	
	2019 £000	2018 £000
At 1 April 2018	(34,393)	(35,563)
Release of negative goodwill to income statement	1,343	1,170
At 31 March 2019	<u>(33,050)</u>	<u>(34,393)</u>

15. Tangible Fixed Assets

	Group and company					
	Freehold land and buildings £000	Leased buildings £000	Buildings under construction £000	Equipment £000	Vehicles £000	Total £000
Cost or fair value:						
1 April 2018	98,029	5,037	2,076	22,722	1,753	129,617
Additions	1,722	-	2,385	1,937	64	6,108
Disposals	(403)	-	-	(121)	(13)	(537)
Transfer from asset for sale	5,701	-	-	65	-	5,766
31 March 2019	<u>105,049</u>	<u>5,037</u>	<u>4,461</u>	<u>24,603</u>	<u>1,804</u>	<u>140,954</u>
Depreciation:						
1 April 2018	27,335	952	-	14,235	1,478	44,000
Charge for year	2,823	136	-	2,181	96	5,236
Disposals	(134)	-	-	(114)	(13)	(261)
Impairment	2,395	-	-	33	-	2,428
Transfer from asset for sale	3,574	-	-	26	-	3,600
31 March 2019	<u>35,993</u>	<u>1,088</u>	<u>-</u>	<u>16,361</u>	<u>1,561</u>	<u>55,003</u>
Net Book Value:						
31 March 2019	<u>69,056</u>	<u>3,949</u>	<u>4,461</u>	<u>8,242</u>	<u>243</u>	<u>85,951</u>
1 April 2018	<u>70,694</u>	<u>4,085</u>	<u>2,076</u>	<u>8,487</u>	<u>275</u>	<u>85,617</u>

15. Tangible Fixed Assets (cont'd)

A detailed review of buildings was performed during the year which identified certain assets as at the end of their useful life. The assets were impaired and the charge to the income and expenditure account was matched by a release of deferred capital grant where applicable.

Included in freehold land and buildings is land of £13.7m which is not depreciated.

Included in equipment are assets under construction amounting to £514k (2018: £124k) which are not depreciated.

16. Investments

	Group and company	
	2019 £000	2018 £000
Listed investments		
At 1 April 2018	195	187
Movement on valuation	5	8
At 31 March 2019	<u>200</u>	<u>195</u>
Endowment investments		
At 1 April 2018	5,018	4,938
Donations	30	6
Income	172	141
Disbursements	(51)	(61)
Appreciation/(depreciation) of asset investments	65	(6)
At 31 March 2019	<u>5,234</u>	<u>5,018</u>
Total investments	<u>5,434</u>	<u>5,213</u>

17. Stocks

	Group and company	
	2019 £000	2018 £000
Farm stocks	2,703	2,609
Goods for resale	39	39
	<u>2,742</u>	<u>2,648</u>

Notes to the Financial Statements



18. Debtors

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Trade receivables	4,456	6,655	1,378	2,823
Prepayments and other debtors	3,767	6,077	3,085	5,465
Amounts recoverable on contracts	5,298	3,796	2,109	1,549
Amounts due from fellow Group Companies	-	-	3,024	3,062
	<u>13,521</u>	<u>16,528</u>	<u>9,596</u>	<u>12,899</u>

19. Creditors: amounts falling due within one year

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Trade creditors	2,561	3,927	1,749	3,415
Other taxation and social security	1,990	2,477	1,990	2,477
Other creditors	2,754	1,845	2,742	1,803
Accruals	5,334	5,190	4,838	4,720
Payment received in advance	6,766	5,549	3,935	2,953
Loans (note 20)	527	9	527	9
Finance leases (note 30)	90	101	90	101
Deferred capital grant (note 21)	2,122	2,227	2,122	2,227
	<u>22,144</u>	<u>21,325</u>	<u>17,993</u>	<u>17,705</u>

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

	Group and company	
	2019 £000	2018 £000
Deferred capital grants (note 21)	30,220	33,239
Loans	4,680	7
Obligations under finance leases (note 30)	-	90
	<u>34,900</u>	<u>33,336</u>

Loans repayable, included within creditors, are analysed as follows:

Wholly repayable within 5 years	-	7
Not wholly repayable within 5 years	5,200	-
	<u>5,200</u>	<u>7</u>

The loans not wholly repayable within five years are loans from The Scottish Funding Council under the University Financial Transactions Funding arrangements. They are unsecured and repayable over ten years commencing 31 March 2020 and carry an interest rate of 0.25% per annum.

Notes to the Financial Statements



21. Deferred Capital Grants

	Group and company			
	£000	£000	£000	£000
	1 April 2018	Receivable	Released to SOCI	31 March 2019
Buildings	26,648	714	(3,083)	24,279
Equipment	8,818	644	(1,399)	8,063
	<u>35,466</u>	<u>1,358</u>	<u>(4,482)</u>	<u>32,342</u>

Disclosed as:	2019 £000
Creditors due within one year	2,122
Creditors due in more than one year	<u>30,220</u>
	<u>32,342</u>

Deferred capital grants receivable in the year are as follows:	Total £000
Scottish Government	590
Scottish Funding Council	648
UK Government Body	<u>120</u>
	<u>1,358</u>

22. Provision for Liabilities

	Group and company	
	2019 £000	2018 £000
Unfunded pension liability		
At 1 April 2018	1,160	1,193
Paid in the year	(68)	(67)
Transfer to the income and statement	53	34
At 31 March 2019	<u>1,145</u>	<u>1,160</u>

SRUC has an obligation in respect of former employees who have retired early or for whom an enhanced pension has been provided. A valuation of the unfunded liability was carried out at 31 March 2019 by Hymans Robertson LLP, an independent actuarial firm.

Notes to the Financial Statements



23. Financial Instruments

The carrying values of the Group and company's financial assets and liabilities are summarised by category below:

	Note	Group		Company	
		2019	2018	2019	2018
		£000	£000	£000	£000
Financial assets					
Measured at fair value through income and expenditure					
Investments	16	5,434	5,213	5,434	5,213
Measured at undiscounted amount receivable					
Trade receivables	18	4,456	6,655	1,378	2,823
		<u>9,890</u>	<u>11,868</u>	<u>6,812</u>	<u>8,036</u>
Financial liabilities					
Measured at amortised cost					
Loans payable	19,20	5,207	16	5,207	16
Measured at undiscounted amount					
Trade and other taxation and social security creditors	19	4,551	6,404	3,739	5,892
		<u>9,758</u>	<u>6,420</u>	<u>8,946</u>	<u>5,908</u>

The Group and Company's income, expense, gains and losses in respect of financial instruments are as follows:

	Note	2019	2018	2019	2018
		£000	£000	£000	£000
Fair value gains on financial assets measured at fair value through income and expenditure	16	70	2	70	2
		<u>70</u>	<u>2</u>	<u>70</u>	<u>2</u>

24. Reconciliation of Group Operating Surplus to Net Cash Inflow/ (outflow) from Operating Activities

	2019	2018
	£000	£000
Operating (deficit)/surplus	(511)	2,518
Loss/(gain) on disposal of fixed assets	267	(140)
Unrealised movements on investments	(70)	(2)
Pension costs less contributions payable	294	747
Depreciation (note 13, 15)	5,422	4,770
Impairment (note 15)	2,428	85
Goodwill release (note 14)	(1,343)	(1,170)
Deferred capital grants released to income (note 21)	(4,482)	(2,603)
Proceeds on disposal transferred to deferred grant	(194)	(648)
Interest received	(108)	(62)
Endowment income	(151)	(86)
Interest paid (note 12)	681	777
	<u>2,233</u>	<u>4,186</u>
(Increase) in stock	(94)	(58)
Decrease/(increase) in debtors	3,038	(1,489)
Increase in creditors	371	313
Net cash inflow from operating activities	<u>5,548</u>	<u>2,950</u>

25. Returns on Investments and Servicing of Finance

	2019	2018
	£000	£000
Bank Interest received	108	62
Interest paid on loans and finance charges (note 12)	(7)	(13)
Net cash inflow from return on investments and servicing of finance	<u>101</u>	<u>49</u>

26. Capital Expenditure and Financial Investment

	2019	2018
	£000	£000
Purchase of tangible fixed assets	(6,108)	(5,500)
Purchase of intangible fixed asset	(8)	(465)
Proceeds of sale of tangible fixed assets	204	94
Deferred capital grants received less repaid (note 21)	1,358	3,787
Net cash (outflow) from investing activities	<u>(4,554)</u>	<u>(2,084)</u>

Notes to the Financial Statements



27. Financing

	2019 £000	2018 £000
Repayment of bank loans	(9)	(9)
New loans	5,200	-
Capital element of finance leases repaid	(101)	(95)
Net cash inflow/(outflow) from financing activities	5,090	(104)

28. Management of Liquid Resources

	2019 £000	2018 £000
Transfer from/(to) bank investments	3,400	(800)
Net cash inflow/(outflow) from the management of liquid resources	3,400	(800)

29. Analysis of Changes in Net Funds

	At 1 April 2018 £000	Net Change £000	At 31 March 2019 £000
Cash in hand and at bank	8,113	9,585	17,698
Debt	(16)	(5,191)	(5,207)
Finance leases	(191)	100	(90)
Net cash	7,906	4,476	12,401

Notes to the Financial Statements



30. Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted Permanent £000	Restricted Expendable £000	Group and company Unrestricted £000	Total £000
At 1 April 2018				
Capital	4,303	251	464	5,018
New endowments	30	1	-	31
Investment income	147	9	16	172
Expenditure	(28)	(8)	(23)	(59)
Increase in market value	57	2	13	72
Total comprehensive income for the year	206	4	6	216
At 31 March 2019	4,509	255	470	5,234
Analysis by asset:			2019 £000	2018 £000
Investments			4,965	4,894
Cash and cash equivalents			269	124
			5,234	5,018

31. Obligations Under Leases and Hire Purchase Contracts

Amounts due under finance leases and hire purchase contracts:

	Group and company	
	2019 £000	2018 £000
Amounts payable:		
Within one year	90	101
Between two and five years	-	90

As at 31 March 2019, the annual commitment under non-cancellable operating leases was as follows:

	Land and Buildings		Equipment	
	2019 £000	2018 £000	2019 £000	2018 £000
Operating lease which expire				
Within one year	165	196	-	22
In two to five years	187	239	234	220
In over five years	124	124	-	-

32. Pensions

As an employer, SRUC has a number of differing pension arrangements for staff and the various schemes are listed below:

- i) The Research Councils' Pension Scheme
- ii) The SRUC Group Pension Plan
- iii) The Citrus Pension Plan
- iv) The local Government Pension Funds: Dumfries and Galloway Council Pension Fund, Fife Council Pension Fund and Lothian Council Pension Fund
- v) Scottish Teachers Superannuation Scheme (STSS)

A summary of FRS102 pension liabilities is included at the end of section iv) of this note. The total recognised in the Statement of Comprehensive Income in relation to defined contribution pension schemes was £2,738k.

i) The Research Councils' Pension Scheme ("RCPS")

The RCPS is a defined benefit scheme which is analogous scheme to the Principal Civil Service Pension Scheme (PCSPS) in which payments from the schemes are funded by current employee's and employers' pension scheme contributions with the difference between these contributions and the scheme expenditure financed by Grant-in-Aid provided from the Department for Business, Innovation and Skills. The RCPS is a multi-employer scheme and it is not possible to identify each participating institution's share of the underlying liabilities of the scheme hence contributions to the scheme are accounted for as if it were a defined contribution scheme. Employees provide 1.5% of their salary as widows or widowers benefit. Funding for the scheme comes primarily from Scottish Government with a monthly contribution from SRUC. From 1 October 1998 this scheme was closed to new employees of SRUC. The agreed contribution rates are 26% for employers and 3.0% to 8.05% for employees.

ii) The SRUC Group Pension Plan

The Group Pension Plan is a defined contribution scheme. The assets are held separately from those of the Company in an independently administered fund through Standard Life. The contributions are set at 5% for employees and 10% for SRUC. The scheme was closed to new employees of SRUC from 1 January 2001 to 31 December 2004 and reopened to new employees from 1 January 2005.

iii) The Citrus Pension Plan

The Citrus scheme is a defined benefit scheme and was offered to new entrants from 1 June 2001 until the scheme's closure to new entrants on 31 December 2004. The scheme was reopened to new members on 1 October 2015. The assets of the scheme are held in a separately administered fund. The last formal triennial valuation was performed as at 31 March 2017 by a professionally qualified actuary. The contributions are set at 9% and 9.5% for employees and 25.1% and 24.6% for the employer. Additional payments of £430k per annum are made into the plan.

The valuation used for FRS 102 disclosures has been based on the most recent triennial actuarial valuation which took place on 31 March 2017 and updated by Hymans Robertson in order to assess the assets and liabilities of the scheme at 31 March 2018. SRUC has been advised by the trustees as to the financial effects of this which need to be duly considered. Scheme assets are stated at their market values at the respective balance sheet dates. The annual charge reflects the estimated impact of the Guaranteed Minimum Pension ruling (GMP).

32. Pensions (cont'd)

iii) The Citrus Pension Plan (cont'd)

Assumptions

The financial assumptions used to calculate the scheme liabilities under FRS 102 are:

Weighted average assumptions used to determine benefit obligations	2019	2018
Price inflation (RPI)	3.40%	3.30%
Price inflation (CPI)	2.40%	2.30%
Rate of pension increase (RPI capped at 5%)	3.30%	3.20%
Rate of pension increase (RPI capped at 2.5%)	2.25%	2.20%
Rate of pension increase (CPI capped at 2.5%)	1.85%	1.80%
Rate of salary increase	4.40%	4.30%
Discount rate	2.45%	2.65%

The most significant non-financial assumption is the assumed level of longevity. The table below shows the life expectancy assumptions used in the accounting assessments.

	2019	2018
Member Age 65 future life expectancy - male	23.3	23.2
Member Age 65 future life expectancy - female	24.5	24.3
Member Age 45 future life expectancy at age 65-male	24.4	24.3
Member Age 45 future life expectancy at age 65 - female	26.6	26.5

The assets and liabilities of the scheme at 31 March 2019 are:

	Fair value at 2019
Assets	
Scheme assets at fair value	£000
Equities	2,026
Multi asset credit funds	8,629
Diversified growth and hedge funds	9,698
Liability-driven investments	5,946
Cash	5,648
Total	<u>31,947</u>
Present value of scheme liabilities	<u>56,375</u>
Deficit in the scheme- net pension liability	<u>24,428</u>

32. Pensions (cont'd)

iii) The Citrus Pension Plan (cont'd)

The Citrus deficit is sensitive to the actuarial assumptions used. The assumptions are set following advice received from a qualified actuary. The following table highlights the sensitivities regarding the principal assumptions used to measure the scheme liabilities.

	Approximate increase in scheme liabilities %	£000
0.5% decrease in real discount rate	14.3%	8,024
1 year increase in member life expectancy	4.0%	2,248
+0.5% change in salary increases	2.4%	1,358
+0.5% change in inflation	8.9%	4,984
	2019	2018
	£000	£000
Analysis of the amount charged to operating surplus		
Current service cost	1,705	2,006
Past service cost	170	-
Administration costs	154	90
	<u>2,029</u>	<u>2,096</u>
Analysis of the amount charge to other finance income		
Interest income on Plan assets	792	754
Interest charge on Plan liabilities	<u>(1,311)</u>	<u>(1,256)</u>
Net charge to other finance income	<u>(519)</u>	<u>(502)</u>
Analysis of amount recognised in Other Comprehensive Income (OCI)		
Actual return on assets excluding amounts included in net interest	416	(426)
Actuarial (losses)/gains on plan obligations	<u>(3,850)</u>	<u>788</u>
Re-measurement gain/(loss) recognised in OCI	<u>(3,434)</u>	<u>362</u>
Analysis of movement in the deficit		
Deficit at 1 April 2018	(20,407)	(19,642)
Contributions paid by the College	1,961	1,471
Current service cost	(1,859)	(2,096)
Past service cost	(170)	-
Other finance charge	(519)	(502)
(Loss) gain recognised in comprehensive income	<u>(3,434)</u>	<u>362</u>
Deficit at 31 March 2019	<u>(24,428)</u>	<u>(20,407)</u>

32. Pensions (cont'd)

iii) The Citrus Pension Plan (cont'd)

	2019	2018
	£000	£000
Change in benefit obligation		
Opening defined benefit obligation	49,613	47,852
Current service cost	1,705	2,006
Past service cost	170	-
Administration cost	154	90
Interest cost	1,311	1,256
Scheme participants' contributions	18	23
Actuarial losses/(gains)	3,850	(788)
Benefits paid	(446)	(826)
Benefit obligation as at 31 March	56,375	49,613
Change in scheme assets		
Opening fair value of scheme assets	29,206	28,210
Interest income	792	754
Member contributions	18	23
Employer contributions	1,961	1,471
Actual return on assets	416	(426)
Benefits paid	(446)	(826)
Fair value of scheme assets as at 31 March	31,947	29,206
Net amount recognised	(24,428)	(20,407)

iv) The Local Government Pension Schemes

The valuation used for FRS 102 disclosures has been based on the most recent triennial actuarial valuation which took place on 31 March 2017 and updated by Hymans Robertson in order to assess the assets and liabilities of the scheme at 31 March 2019. SRUC has been advised by the trustees as to the financial effects of this which need to be duly considered. Scheme assets are stated at their market values at the respective balance sheet dates. The annual charge reflects the estimate impact of the Guaranteed Minimum Pension ruling (GMP) and the McCloud judgement.

The following disclosures are required under FRS 102 for the local government pension schemes. Retirement benefits are recognised when they are earned and not when they are due to be paid. Employee contributions are applied in tiers depending on the rate of pensionable pay and start from 5.5% to a maximum of 12%.

Fife Council Pension Fund ("FCPF")

The FCPF is a funded defined benefit pension scheme where contributions are held in a trust separately from SRUC and was closed to new members on 1 October 2012. A formal valuation of the scheme was carried out as at 31 March 2017. The employers contribution rate is 20.2%

Dumfries and Galloway Council Pension Fund (DGCPF)

The DGCPF is a funded defined benefit pension scheme where contributions are held in a trust separately from SRUC and was closed to new entrants on 1 October 2012. A valuation was carried out as at 31 March 2017. The employers contribution rate is 27.9%.

32. Pensions (cont'd)

iv) The Local Government Pension Schemes (cont'd)

Lothian Pension Fund (LPF)

The LPF is a funded defined benefit pension scheme where contributions are held in a trust separately from SRUC and was closed to new members on 1 October 2012. A formal valuation of the scheme was carried out as at 31 March 2017. The employers contribution rate is 42.9%. Additional payments of £50,400 were made into the plan.

Assumptions

The financial assumptions used to calculate the scheme liabilities for all three schemes under FRS 102 are:

Weighted average assumptions used to determine benefit obligations	2019	2018
Price inflation (RPI)	3.4%	*3.4%
Price inflation (CPI)	2.4%	**2.4%
Rate of pension increase (CPI)	2.5%	2.4%
Discount rate	2.4%	2.7%
Rate of salary increase	3.0%	***2.92%

* Lothian pension fund was 3.5%

**Lothian pension fund was 2.5%

*** Dumfries was 3.2% and Lothian was 4.1%

The most significant non-financial assumption is the assumed level of longevity. The table below shows the life expectancy assumptions used in the accounting assessments.

	2019	2018
Male Member Age 65 (life expectancy at age 65)	21.2 – 21.8 years	21.2 – 21.8 years
Male Member Age 45 (life expectancy at age 65)	22.6 – 24.7 years	22.6 – 24.7 years
Female Member Age 65 (life expectancy at age 65)	23.8 – 24.3 years	23.8 – 24.3 years
Female Member Age 45 (life expectancy at age 65)	25.8 – 27.5 years	25.8 – 27.5 years

The assets and liabilities of the three schemes at 31 March 2019 are:

	2019
Assets	£000
Scheme assets at fair value	
Equities	18,908
Corporate Bonds	7,681
Property	2,068
Cash	886
Total	29,543
Present value of scheme liabilities	(35,749)
Deficit in the scheme- net pension liability	(6,206)

The LGPS deficits are sensitive to the actuarial assumptions used. The assumptions are set following advice received from a qualified actuary. The following table highlights the sensitivities regarding the principal assumptions used to measure the scheme liabilities.

	Approximate increase in scheme liabilities %	£000
0.5% decrease in real discount rate	10%	3,831
0.5% increase in the salary increase rate	1%	495
0.5% increase in the pension increase rate	9%	3,278

Notes to the Financial Statements



32. Pensions (cont'd)

iv) The Local Government Pension Schemes (cont'd)

	2019 £000	2018 £000
Analysis of the amount charged to operating surplus		
Current service cost	725	700
Past service cost	138	-
Analysis of the amount charge to other finance income		
Interest income on Plan assets	747	711
Interest charge on Plan liabilities	(902)	(973)
Net charge to other finance income	<u>(155)</u>	<u>(262)</u>
Analysis of amount recognised in Other Comprehensive Income (OCI)		
Actual return on assets excluding amounts included in net interest	1,075	(342)
Actuarial (losses) gains on plan obligations	(2,363)	5,041
Re-measurement gain (loss) recognised in OCI	<u>(1,288)</u>	<u>4,699</u>

	2019 £000	2018 £000
Analysis of movement in the deficit		
Deficit at 1 April 2018	(4,537)	(8,849)
Contributions paid by the College	637	575
Current service cost	(725)	(700)
Past service cost	(138)	-
Other finance charge	(155)	(262)
(Loss)/gain recognised in comprehensive income	(1,288)	4,699
Deficit at 31 March 2019	<u>(6,206)</u>	<u>(4,537)</u>

Change in benefit obligation		
Opening defined benefit obligation	32,226	36,233
Current service cost	725	700
Past service cost	138	-
Interest cost	902	973
Scheme participants' contributions	118	112
Actuarial losses/(gains)	2,363	(5,041)
Benefits paid	(723)	(751)
Benefit obligation as at 31 March	<u>35,749</u>	<u>32,226</u>

Change in scheme assets		
Opening fair value of scheme assets	27,689	27,384
Interest income	747	711
Member contributions	118	112
Employer contributions	637	575
Actual return on assets	1,075	(342)
Benefits paid	(723)	(751)
Fair value of scheme assets as at 31 March	<u>29,543</u>	<u>27,689</u>

Notes to the Financial Statements



32. Pensions (cont'd)

iv) The Local Government Pension Schemes (cont'd)

Summary of FRS 102 net Pension liabilities

	2019 £000	2018 £000
Citrus Pension Plan	(24,428)	(20,407)
Local Government Pension Funds	(6,206)	(4,537)
Total net pension liability	(30,634)	(24,944)

v) Scottish Teachers Superannuation Scheme (STSS)

The STSS is an unfunded multi-employer defined benefit scheme and it is not possible to identify each institution's share of the liabilities therefore, contributions to the scheme are accounted for as if it were a defined contribution scheme. Benefits are funded through pension contributions deducted from members salaries and a contribution from their employees. Contribution rates and benefits are set by Scottish Ministers on advice from SPPA and the scheme's actuaries. The cost recognised within the results for the year is the contribution payable to the scheme for that year. The agreed contribution rates for future years are 17.2% for employers to 31 August 2019 and 23% from 1 September 2019 and range from 6.4% - 12.4% for employees.

33. Investments in subsidiaries

The group and company hold 100% of the nominal value of ordinary share capital (or exercises control over) the following entities:

Name of company	Nature of business
SAC Commercial Limited	Commercial consultancy, research and trading
Equestrian Facilities Scotland Limited	Dormant throughout the year
The SAC Foundation	Charitable Trust

The results of these entities are consolidated in the Group accounts

34. Bursary and Other Student Support Funds

	Bursary £000	Hardship £000	EMA's £000	Other £000	2019 Total £000	2018 Total £000
1 April 2018	(212)	(58)	13	1	(256)	(72)
Received during the year	2,281	460	120	-	2,861	2,251
Refunded to SFC	(130)	(24)	-	-	(154)	(9)
Virement of funds	-	(24)	-	-	(24)	22
Expenditure	(2,044)	(271)	(128)	(1)	(2,444)	(2,448)
31 March 2019	(105)	83	5	-	(17)	(256)

Bursary and other student support funds are available solely for students; SRUC acts only as paying agent. The grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

34. Bursary and Other Student Support Funds (cont'd)

Childcare Funds

	2019 £000	2018 £000
1 April 2018	(17)	28
Received in year	54	26
Variation of funds	24	(22)
Expenditure	(65)	(49)
31 March 2019	<u>(4)</u>	<u>(17)</u>

35. Related party transactions

During the year the group and the company entered into related party transactions with wholly controlled undertakings in the ordinary course of business whose results are included in these group accounts, therefore the exemption under FRS102 on non-disclosure of those transactions has been applied. No other material related party transactions have taken place.

36. Capital Commitments

Amounts contracted for but not provided in the financial statements amounted to £1,933k (2018 £3,747k).

General information



Chairman	Mr James Cumming
Chief Executive and Principal	Professor Wayne Powell
Company Secretary	Colin Peebles
Registered Office	West Mains Road Edinburgh EH9 3JG
External Auditor	Ernst & Young LLP Atria One 144 Morrison Street Edinburgh EH3 8EX
Internal Auditor	KPMG LLP Saltire Court 20 Castle Terrace Edinburgh EH1 2EG
Bankers	Clydesdale Bank PLC 83 George Street Edinburgh EH2 3ES
Solicitors	Morton Fraser Quartermile Two 2 Lister Square Edinburgh EH3 9GL
Actuaries	Mercer 15 Lauriston Place Edinburgh EH3 9EN
Stockbrokers	Speirs & Jeffrey George House 50 George Square Glasgow G2 1EH