

Company no. 4929860
Charity no. 1101959

**The Leadership Foundation
for Higher Education**

**Report of the Board
(incorporating Strategic Report)
and Financial Statements**

**For the year ended
31 July 2017**

Report of the Board and Strategic Report

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The Leadership Foundation for Higher Education

Report of the Board for the year ended 31 July 2017

1. INTRODUCTION AND SUMMARY OF MAJOR ACHIEVEMENTS

1.1 The Board of *The Leadership Foundation for Higher Education* is pleased to present the Report of the Board, Strategic Report and Audited Financial Statements for the year ended 31 July 2017. This Report of the Board, which incorporates a Strategic Report as required by amendments to the Companies Act 2006, has been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities SORP (FRS102), the Financial Reporting Standard FRS102 and the Companies Act 2006.

Summary of Major Achievements in 2016-17

- a) Refreshing the Leadership Foundation's strategy *Catalysing Change: Strategy 2017-2020* and delivering on it, returning a financial surplus and establishing new Consultancy, International and Membership Strategies.
- b) Delivering over 15,400 participant days of leadership, governance and management development (2015-16: 14,200) to over 5,800 people (2015-16: 4,500).
- c) Supporting 158 (2015-16: 156) institutions in their continuing and new membership of the Leadership Foundation - maintaining our status as the key provider of leadership development and consultancy advice to higher education – with almost all of the UK's traditional higher education sector and our highest ever number of members. Over a third of our members have been in membership for over 10 years.
- d) Increasing Aurora participation for the third year running, with 2016-17 bookings reaching beyond 1,000. Our women-only programmes form by far the largest initiative of this kind in the UK.
- e) Commissioning and developing three longitudinal studies to tackle the topics we need to understand to make positive change happen: Aurora Gender Equality in Leadership; Diversifying Leadership Equality of BME; and Top Management Programme longitudinal study for senior leaders.
- f) On behalf of HEFCE, publishing *Increasing the Diversity of Senior Leaders: The Role of Executive Search Firms*, which downloaded 1,000 times during its first month.
- g) Developing the capacity for a "what works" approach to leadership, governance and management to support effective decision making in higher education.
- h) Inviting to tender for The Small Development Projects (on topical leadership issues) resulting in 88 proposals, an increase of 255% on the previous year.
- i) Growing the Governor Development Programme from 379 participants in 2015-16 to 654 in 2016-17.
- j) Working in eight countries, creating leadership development to support the sector globally.
- k) Delivering 115 leadership development programmes and events and 24 new research and online resources.

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| l) | Editing and publishing 27 new case studies across international work and consultancy, as well as assessing the impact of Future Professional Directors and Aurora for both participants and institutions. This takes the total number of case studies available on our website to 38, accessible to members and non-members across the globe. |
| m) | Engaging with 249 academics and higher education professionals to share their knowledge and give back to the current and future leaders by delivering on programmes, courses and events. |
| n) | Increasing our media coverage from 55 pieces in 2015-16 to 94 this year. |

2. REFERENCE AND ADMINISTRATIVE INFORMATION

Governing Document

2.1 The Leadership Foundation for Higher Education (known as the Leadership Foundation) is a company limited by guarantee (company registration number 4929860) and also a registered charity (charity registration number 1101959). Its registered office and operational address is Peer House, 8-14 Verulam Street, London WC1X 8LZ.

2.2 The Leadership Foundation for Higher Education was incorporated as a company limited by guarantee on 13 October 2003 and registered as a charity on 6 February 2004. The company was established under a Memorandum of Association which established the objects and powers of the charitable company and is governed by its Articles of Association.

2.3 The two Subscribers to the Memorandum (the Members of the Foundation) are Universities UK and GuildHE. In the event of the company being wound up, the Members are required to contribute an amount not exceeding £1.

The Board

2.4 Those who make up the Board of the Leadership Foundation are the Directors of the Company Limited by Guarantee, and the Trustees of the Charity. Those Trustees who served during the year and up to the date of this report are set out in the table below. The Board has established three sub-committees to assist its work: the Audit, Finance and Risk Committee (chaired by Janet Legrand), the Remuneration Committee (chaired by Stephen Marston), and the Nominations Committee (chaired by Gillian Camm). Membership of these committees is denoted by the letters (A), (R) and (N) respectively in the table below. Philip Harding, Finance Director of UCL and Kirsty Searles, Governance and Compliance Lead Partner at Deloitte UK are independent members of the Audit, Finance and Risk Committee.

Leadership Foundation Trustee/Director/ Board Member	External Role
Gillian Camm, Chair of Board, Chair of Nominations Committee, (R) (A)	Consultant and Non-Executive Director
Geoff Dawson, Vice Chair	Former Chair, Sheffield Hallam University, CUC Consultant and Non-Executive Director
Christine Abbott (R) (until 5 October 2016)	University Secretary and Director of Operations, Birmingham City University
Wendy Alexander (N)	Vice Principal (International), University of Dundee

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Sophie Bowen (R) (from 30 November 2016)	Chief Operating Officer, Middlesex University
Andy Chew (from 30 November 2016)	Former MD Architectures & Innovation, CISCO UK and Ireland
Janet Legrand, Chair of Audit, Finance and Risk Committee (A)	Partner, DLA Piper International LLP
Dr David Llewellyn (N)	Vice-Chancellor, Harper Adams University
Professor Julie Lydon OBE (A)	Vice-Chancellor, University of South Wales
Professor Craig Mahoney	Vice-Chancellor, University of the West of Scotland
Stephen Marston, Chair Remuneration Committee (R)	Vice-Chancellor, University of Gloucestershire
Professor Nick Petford (A)	Vice-Chancellor, University of Northampton
Professor Colin Riordan (R)	President and Vice-Chancellor, University of Cardiff
Farley Thomas (from 1 October 2016)	Executive Coach And Business Consultant
Rose Wangen Jones (from 1 October 2016)	Global Business Director WPP
Professor Andrew Wathey (N) (until 30 November 2016)	Vice-Chancellor, University of Northumbria
Professor Steve West (from 30 November 2016)	Vice-Chancellor, University of the West of England

Leadership Foundation Senior Leadership Team – Key Management Personnel	Role at the Leadership Foundation
Alison Johns	Chief Executive
Carol Burns from 3 November 2016	Interim Chief Operating Officer and Company Secretary
Alice Hynes of APC Futures Ltd until 2 November 2016	Interim Chief Operating Officer and Company Secretary
Dr Lesly Huxley	Director of Membership and Organisational Development
Vijaya Nath	Director of Leadership Development
Professor Fiona Ross	Director of Research
Andy Shenstone	Director of Consultancy and Business Development
Tricia Wombell	Director of Marketing and Communications

2.5 The Professional advisers are as follows:

Auditors: haysmacintyre, 26 Red Lion Square, London WC1R 4AG

Bankers: Co-operative Bank, 80 Cornhill, London EC1V 3NJ

Solicitors: Trowers and Hamlin, Sceptre Court, 40 Tower Hill, London EC3N 4DX

3. PUBLIC BENEFIT

3.1 The Leadership Foundation provides a benefit to the public of the UK by helping Higher Education Institutions to improve their leadership, governance and management. This in turn helps institutions to improve the delivery of their own charitable missions, including an even better experience for students, even better research outputs, and an even more valuable contribution to the UK economy and wider society. Public benefit is at the core of the Leadership Foundation's work and is enshrined in its vision and mission. Section 5 shows a number of the publications and reports produced during the year that provide benefit to the public, either directly by the information presented in the public domain, or more indirectly via the support they give to the performance of Higher Education Institutions (HEIs).

3.2 The Trustees confirm that they have complied with the duty in section 17 of the Charities Act 2011 to have regard to the Charity Commission's general guidance on public benefit. The means by which

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the Leadership Foundation delivers its public benefit are comprehensively set out below, particularly in the sections on "Mission, Vision, Values and Strategic Aims" and "Achievements and Performance".

4. MISSION, VISION, VALUES AND STRATEGIC AIMS

4.1 The Leadership Foundation's object as stated in its Memorandum is to promote higher education for the public benefit by further developing the professionalism and profile of leadership, management and governance within the higher education sector.

4.2 In January 2015, the Leadership Foundation published its strategy *Catalysing Change: Strategy 2015-2020*. It was implemented during 2015-16 through strategy development in areas such as Consultancy, Leadership Development, International and Membership as well as further work on the development of Governance and Thought Leadership. In summer and autumn 2016 further refreshment of the organisation's medium and long term plans took place and an updated *Catalysing Change: Strategy 2017-2020* was agreed by the Board in Autumn 2016. *Catalysing Change: Strategy 2015-2020* identifies the Mission, Vision and Values of the Leadership Foundation, which are shown below:

MISSION

Our mission derives from our origins as the body set up by and for the sector dedicated to the development and enhancement of leadership, governance and management in higher education. We are a membership organisation and we also work with other stakeholders to develop an internationally recognised cadre of leaders and managers equipped to deliver the aspirations of their own institutions and the best possible higher education system for the UK. Quality, relevance and excellence are at the heart of everything that we do.

- **To serve, drive and catalyse the best possible leadership governance and management in higher education**

VISION

Our ambition is to become the premier provider of higher education leadership, governance and management development that is recognised nationally and internationally by our members and the wider higher education community as the preferred partner to enable them to meet their aspirations and needs. Our vision is expressed in terms of what we aspire to achieve with and for our members and those who use our services.

- **That higher education is recognised for excellence in leadership which transforms lives, enriches society and develops the economy for the better**

VALUES

Ensuring those who come to us have a high quality experience and leave equipped to make a difference in their work and institutions is what drives us. We will continually seek to improve what we do, critically evaluate our own practice and respond and adapt. We try to follow our values in everything we do.

- **Ambition for those we serve, passion in all we do, path finding new ways of leading, governing and managing and commitment to quality, expertise, relevance and impact**

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4.3 The strategic aims reflect the means by which the Leadership Foundation delivers public benefit, are set out in *Catalysing Change*, and reproduced below:

STRATEGIC AIMS

All our strategic aims derive from listening to our members and other stakeholders, understanding the challenges they face and analysing the environment in which higher education must exist and thrive. Everything we do is focused on outcomes that benefit our members and the sector more broadly.

In support of our mission we will:

1. Work with the UK higher education sector to secure its high reputation for the quality of its leadership, governance and management with students, business, government, investors and other stakeholders.
2. Enable governors and senior management teams to respond more effectively to unpredictable and disruptive change.
3. Offer thought leadership and practical resources to inform strategic and operational practices for higher education providers to increase their impact nationally and internationally.
4. Be recognised for our contribution to greater diversity and inclusion in governing bodies, senior leadership teams and more broadly within institutions.
5. Add value to and complement our members' leadership and organisational development ambitions
6. Achieve greater active engagement by Leadership Foundation members, partners and other stakeholders in our work.
7. Provide opportunities to discuss tough issues and provoke challenge and interrogate "what works".
8. Refresh our networks and communities of practice to enable greater peer support and challenge and create development opportunities tailored to specific communities of learners and participants.
9. Deliver flexible access to our services in the modes our learners prefer, including digitally.
10. Enhance our international reputation, simultaneously bringing greater international intelligence and experience to the development of our UK activity.

5. STRATEGIC REPORT – ACHIEVEMENTS AND PERFORMANCE

5.1 During 2016-17 the Higher Education sector continued to experience major changes, including the continuing effects of new higher education financing arrangements, the passing of the Higher Education and Research Act, the establishment of the Office for Students and the continuing uncertainty about the impact on the higher education sector, financially and academically, of the vote to leave the European Union. This year the Leadership Foundation transformed its approach to thought leadership and the development of its evidence base. It reviewed and made significant changes to its portfolio of Leadership Development programmes and has significantly grown its support to the Governance community. It continues to develop its consultancy offer and has delivered a range of international work.

5.2 Strategic objectives are pursued through a dynamic range of leadership development programmes and consultancy activities delivered across the UK. Further detail on all of the Leadership Foundation's work is shown on our website www.lfhe.ac.uk. The Leadership Foundation is renowned for providing high quality interventions, programmes and events. Participation in our programmes remained strong and the number of participant days increased by 9% over the previous year.

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Membership

5.3 The Leadership Foundation continued to attract sector participation with its highest levels of membership and participation to date; 158 organisations were subscribing members of the Leadership Foundation during 2016-17. All but a few of the UK's higher education institutions subscribed, including newly recognised and private providers, with participation spread across England, Scotland, Wales, and Northern Ireland and the Republic of Ireland. Of those who did not subscribe, many continued to spend on consultancy and on development programmes at a significant level.

5.4 After a number of years in which the Leadership Foundation sponsored a programme of development activity for small and specialist institutions through Bishop Grosseteste University, it has been agreed to bring the activity in house, whilst retaining the management expertise, so that smaller institutions might benefit from cross-fertilisation of ideas with our other activities. 2016-2017 was therefore the last year of this arrangement. Membership income also supported the work of the Staff Development Forum in providing continuing professional development and resources for staff and organisational development professionals in higher education.

Leadership Development: Programmes and Participants

5.5 The most substantial components of the portfolio of programmes delivered by the Leadership Foundation are set out below:

Programmes/Events	Participant Days
Governance Programmes	654
Top Management Programme	720
Executive Leadership Programmes	963
Aurora	4,188
Professional Programmes	1,331
Funding Body-supported Programmes	568
Conferences and Events	1,338
Tailored and In House Programmes	4,021
International Programmes	1,701

5.6 New provision was developed during the year, in particular Powerbrokers - lifting the lid on the Westminster village, and a programme designed to support institutions to understand the range of structures and corporate forms available to those seeking to move from traditional university structures. The Leadership Foundation undertook significant work to support higher education institutions in engaging with their responsibilities under the Prevent duty, providing workshops, toolkits and other practical resources. The Prevent portfolio was delivered as part of the funder-commissioned programme of work that also included leadership programmes to support career progression for black and minority ethnic staff into more senior leadership roles in universities; programmes to enhance the understanding of strategic financial and legal issues; and a series of activities for governors, including encouraging more women to join boards, and a dedicated toolkit to develop greater equality and diversity on Boards. Our flagship Top Management Programme continues to attract senior leaders from across the sector, and now has 811 alumni. Just over 50 of these have become vice-chancellors, representing one third of higher education institutions in the UK.

5.7 The *Aurora* initiative also expanded even further, with record numbers of participants (1,020 as against 980 in 2015-16), providing development for a wide range of aspiring female leaders, and substantially exceeding its target participant numbers in yet another highly successful year. This initiative is the subject of one of the longitudinal studies mentioned below.

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5.8 Tailored and in-house programmes were delivered to 59 higher education institutions, with a good mix of repeat and new clients. There is a trend for institutions to look for 'shorter and sharper' innovative programmes to feed into their wider internal leadership development interventions (e.g. RTL, PSSL, HoDs, Leading Departments).

Impact

5.9 A key strategic aim identified in *Catalysing Change: Strategy 2017-2020* is to develop an 'impact architecture to measure the outcomes of developments in leadership, governance and management'. Movement towards this goal continues apace, with the primary activities being: the continuation of the longitudinal studies, which provide an evidence base for the impact of development interventions in three key programmes over time, and identify which aspects of our programmes are having positive impact on individual and institutional outcomes; a second exercise of the internal Leadership Foundation Research and Innovation Outcomes Framework (LFRIOF) project; and the developing *What Works* project that aims to mobilise existing and future evidence and research (LF commissioned or otherwise) to have greater impact across the sector. Throughout 2016-17 we have been tracking our research and innovation impact, including: impact on Welsh Government science funding policy; the development of an 'accountability framework' for executive search firms and higher education institutions on diversity in recruitment; and international interest in the launch of the Research Leader's Impact Toolkit.

5.10 Increasingly we are using social media to provide information and comment on live issues and relevant leadership materials. Our website MyLF account secured a 64% increase over the year of registered users (2016-17 14,400, 2015-16 8,800). There has been a further increase in use of social media with over 4,500 followers on Twitter (up 61% on last year) and 242,474 views on LinkedIn and 434 new followers. There were 4,741 visits to our blog.

Strategic Consultancy, Organisational Development and Coaching

5.11 In light of the significant growth of consultancy work in 2015-16, following the appointment of a new Director, a further appointment was made in 2016-17 of a principal consultant. While income targets were met, contribution fell short of budget, through a combination of an approved investment in capacity building and competitive pricing to win business in a challenging market to which the Leadership Foundation is a new entrant. Our increasing visibility in this market and the greater capacity to deliver through a core team of dedicated and highly experienced consultants is reflected in our growth plan for this area of our business which is designed to establish strategic consultancy as a mature, secure and valued service.

5.12 Within the UK our consultancy team worked with 44 higher education institutions to deliver 52 strategic consultancy assignments, including national projects and reviews for higher education funding bodies, strategic advisory projects for individual institutions and sector bodies, and multiple governance reviews. 55 one-to-one coaching assignments were delivered, comprising 35 senior level assignments (Directors, Deans, DVC/PVC) and 20 middle level assignments (Heads of Department, Registrar). An increasing number of coaching programmes utilised a 360 degree diagnostic and work was done with executive teams and Heads of Schools to support team development through coaching.

5.13 Our work in support of sector governance developed significantly, marked by an updated Governor Development Programme (GDP) and the launch of a revised governance effectiveness toolkit and a new governance benchmarking and evaluation service for members. 654 individual governors and governance professionals participated in the GDP, the highest to date and above target. We conducted independent reviews of governing bodies for providers as diverse as Manchester, Edge Hill

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and Regents University and there was significant demand for the facilitation of governing body strategic events throughout the year.

5.14 Our international services focus upon supporting and enabling the modernisation and transformation of higher education systems, building capacity and capability of senior leaders and managers to the benefit of education sector development, societal change and social cohesion. Much of our work is delivered in partnership with the British Council. This year we have delivered major national senior leadership development programmes in higher education for the governments of Ukraine, Peru, Kazakhstan and India and conducted strategic needs analyses for the governments of Egypt and Myanmar. While each nation faces its own distinctive challenges a common thread to all of our work is the development of leadership, governance and management capacity within the context of developing sector autonomy. We have also directly delivered a small number of bespoke development programmes for overseas institutions such as the American University in Cairo.

Research, Innovation and Development Resources

5.15 The Catalysing Change 2017-2020 strategic plan envisaged a move away from commissioned research towards evidence-based practice, increased emphasis on shorter more accessible outputs in thought leadership and toolkits. Activities undertaken also included a suite of longitudinal studies, thought leadership papers in the Leadership Insight imprint, and the development of evidence-based tools and reviews in specific funder-identified areas. The Small Development Projects (SDPs) initiative has similarly been refocused towards a "what works" and evidence-based approach to commissioning: fewer full projects (seven) were commissioned to allow space for nine case studies to be developed to disseminate practice and learning ("what worked") in agreed thematic areas. A number of legacy research projects, historic SDPs and *Innovation and Transformation Fund* projects (ITFs) were brought to fruition and reports produced. Surplus funds in two large historic ITF projects are to be repurposed in the 2017-18 "what works" activity stream.

5.16 A wide range of outputs was produced in 2016-17 and provides a rich suite of evidence, toolkits and resources for use by leaders, managers and governors. This material demonstrates the Leadership Foundation's strategic aim to "stimulate and spread innovation and ensure our work is underpinned by evidence of what works in higher education leadership, governance and management".

The Leadership Foundation Longitudinal Studies of Impact

5.17 The Leadership Foundation (with funders' support) continues to invest in three large scale research projects to build a systematic evidence base for leadership development. The studies, at scale, of outcomes from leadership development on careers and progression of the higher education workforce will inform and shape sector-wide and institutional strategies on talent management and succession planning. The studies focus on the priorities of women in mid-career, people from black and minority ethnic groups and senior leaders.

- Onwards and Upwards: Tracking the Careers of Women's Leadership in Higher Education is being undertaken by a team led by Dr Fehmidah Munir at Loughborough University. This five-year study (commissioned in early 2015) is tracking the development, progression, leadership and work experiences of successive cohorts of early/mid-career women in higher education (the Aurora participants). A total of 2,240 women (1,867 participants and 373 non participants) have been surveyed to date. Following the study's first year a report exploring the literature and 'baseline' survey responses drew out ten conclusions, ranging from: systematic differences between academic and professional staff (the latter being more positive); to the interface between work and non-work continuing to prove problematic; and self-perceptions of leadership skills/behaviours being negated by workplace cultures and practices. The team has

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now submitted its second annual progress report which is currently with the Aurora longitudinal advisory group. The paper takes three themes in focus: experiences of leadership (approaches and practice); institutional structures and practices; and 'What is working? What is making a difference?'. A decision will be made on whether to publish from this second progress report in October 2017.

- Tracking the Impact of the Diversifying Leadership Programme on Participants and Institutions: a two year follow up study Professor Janis Fook and Dr Terri Kim, University of East London co-lead this project with Professor Udak Archibong, University of Bradford, and Amanda Aldercotte and Kevin Guyan of Equality Challenge Unit. The project has been commissioned to investigate how leadership development can address contextual and institutional issues surrounding the careers pipeline, and to assess the impact of leadership development for black and minority ethnic academics and professional services staff on progression, success and representation in higher education. A three-strand approach is being used: longitudinal tracking of individual participants; in-depth lived experience of participants through narrative interviews; and the analysis of organisational contexts and how these influence the individual experience. An interim report will be submitted in November 2017, with an advisory group meeting in early 2018 to review ahead of further longitudinal data gathering and the final report.
- Developing Leaders for the Top: a longitudinal study of outcomes from the Top Management Programme Dr Martin McCracken and team, Ulster University, have completed the first year of the four-year longitudinal study to identify the impact of the programme on individual and institutional outcomes. The team have completed the retrospective aspect of the study, consisting of: a focus group with programme directors; interviews with 50 alumni; interviews with 12 sponsor representatives (vice-chancellors and directors of human resources); and 95 completions of the alumni survey. Longitudinal data gathering has also commenced with TMP cohorts 39, 40 and 41. A first year progress report on the retrospective aspect highlights 12 key conclusions, ranging from: identification of the three most 'valued' learning experiences; to the interrelation of the programme and participants' interaction with their working environment; key benefits in opportunity for reflection, self-awareness and network(ing); and that TMP is developing leadership 'at a sector level'. A steering group meeting is scheduled for October 2017, in which the report will be reviewed in its final draft form and any decision taken to publish from it will be taken.

5.18 Featured outputs, 2016-17

The Research Leader's Impact Toolkit (Web-based toolkit and PDF publications) (August 2017)

Dr Elizabeth Morrow, Independent researcher

The Research Leader's Impact Toolkit is for higher education institutions, research leaders and individual researchers to develop an embedded, institutional approach to research impact. It covers a broad spectrum of impact areas to enable different staff groups and stakeholders to coordinate the leadership and management of impact. Building on research previously undertaken for the Leadership Foundation, (*The Impact of Leadership and Leadership Development in Higher Education: A review of the Literature and Evidence* [Morrow, E. 2016]) Dr Elizabeth Morrow was commissioned to draw together evidence and good practice on the leadership and management of research impact in higher education institutions. Six academic learning partners were recruited to work with the project team to develop the toolkit, contributing ideas for the overall structure and content of the toolkit, discussing the usefulness of specific tools and making suggestions about existing resources that the toolkit should link to. Finally, the toolkit was developed into an interactive, digital resource by a team at the University of Wolverhampton, and launched as a membership benefit in August 2017. A business plan is being

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drawn up for non-members and international institutions from 1 December 2017, with further ideas for developing and enhancing the toolkit's use and impact.

Throughout the project a series of blogs and outputs came to fruition, as listed below:

- **LSE Impact blogpost:** *Mining the REF impact case studies for lessons on leadership, governance and management in Higher Education.*
- **Hefce blogposts:** *Planning and reporting the impact of research* and *Delivering impact from research needs public participation*
- **Journal article Evaluation (forthcoming):** Morrow, Ross & Goreham. *Exploring research impact in the assessment of leadership, governance and management research*, Evaluation.

What Works: The Concept (July 2017)

Melissa Ream, Dr Stephanie Fade, Professor Fiona Ross, Will Wade

With funder support, the Leadership Foundation commissioned a scoping study of the concept and organisation of What Works Centres and similar initiatives across other sectors, and then undertook a wide-ranging consultation with higher education sector stakeholders to gauge the appetite for a similar initiative in higher education. The study took in interviews with 24 senior leaders and stakeholders, including vice-chancellors and board members, and international informants, and culminated with an *Ideas Lab* in May 2017. The Lab explored the potential for and orientation of a higher education "what works" initiative, and saw presentations from: Jo Wilkinson, Practice Manager, Centre for Crime Reduction, College of Policing; Jonathan Breckon, Director, Alliance for Useful Evidence; and Ian Powling, Digital Programmes Lead, UUK/Efficiency Exchange. Chaired by Professor Fiona Ross, the event was attended by 34 colleagues from a wide range of sector agencies, universities and funding bodies, and 13 senior Leadership Foundation colleagues.

Following the event, Melissa Ream, Dr Stephanie Fade, Professor Fiona Ross and Will Wade collaborated to produce a Leadership Insight on the concept of "what works" and outlining the scoping study. A second paper, entitled What Works: Knowledge Mobilisation, was written by Melissa Ream and Dr Stephanie Fade, as an internal road map for the continuation of this stream of activity into 2017-18.

'Leading in uncertain times' thought leadership series (June 2017)

Again with funder support, the Leadership Foundation commissioned five thought leadership papers for "Leadership in uncertain environments"; later published in a thematic series of the Leadership Insight style titled *Leading in Uncertain Times*. The series consisted of: *It's a bit more complex than freedom of speech*, Dom Weinberg, in conversation; *Leading Collaboration to Solve Global Challenges*, Professor Rajani Naidoo; *Higher Education: What is it good for?*, Professor Jan Fook; *Leadership in the Fault Lines*, Professor Martin Hall; and *What Does Global Higher Education Mean for University Leaders?*, Professor Ellen Hazelkorn. The thought leadership covered: freedom of speech/academic freedom; acknowledging and working in historic and contemporary political and social fault lines; a reflection of the purpose of higher education; and the nature of global competition and collaboration, and the challenges and opportunities therein.

The papers were published in June 2017, and promoted as the centrepiece of a symposium of the same name. The *Leading in Uncertain Times* event took place on Friday 23 June 2017, exactly one year on from the EU referendum vote. Presentations were given by Professor Julius Weinberg, Professor Martin Hall and Professor Jonathan Grant (chaired by Alison Johns and facilitated by Vijaya Nath). The event brought together authors of the insights and participants from a variety of institutions and, taking

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a world café-inspired approach to provocations and debate, focused on the range of topical and varied issues facing higher education (leaders).

Increasing the Diversity of Senior Leaders in Higher Education: The Role of Executive Search Firms (March 2017)

Professor Simonetta Manfredi, Professor Lucy Vickers, Emily Cousens, Centre for Diversity Policy Research and Practice, Oxford Brookes University

This research reveals the important yet often misunderstood role of executive search firms in shaping the senior team in higher education, and raises questions about the boundaries of accountability for equality and diversity outcomes and the extent to which universities, as the client, challenge the process and sets out an accountability framework for diversity. The report was launched at a high-profile event at the University of Liverpool in London, chaired by Professor Janet Beer (vice-chancellor of University of Liverpool), and with a panel of Professor Simonetta Manfredi, Margaret Ayers (director of human resources, QMUL), Dr Esther Cavett (senior research fellow, KCL) and Stephen Frost (principal, Frost Included). It was the largest research launch that the Leadership Foundation has held to date, with over 90 delegates from across the sector and 19 representatives from executive search firms. A further 47 senior leaders reported that they were unable to attend, despite interest.

In 2017-18 the Leadership Foundation will be building upon the recommendations of this work to develop a diversity framework with an executive search firm stakeholder group, for ensuring diversity principles are embedded in practice.

Professor Fiona Ross and Amy Norton from HEFCE subsequently produced a blog for the Hefce website and Matthew Reisz from the THE covered the research and event. Professor Simonetta Manfredi wrote a blog for Search Higher, and a journal article in the Special Issue Perspectives on Women's Higher Education Leadership from around the World.

6. STRUCTURE, GOVERNANCE AND MANAGEMENT

Organisational Structure

6.1 The Board of the Leadership Foundation normally meets four times per year and is responsible for the organisation's strategic direction and policy. The Board approves the Annual Budget and an Operating Plan for the coming year, regularly monitoring performance against plans. It has a key role in reviewing a set of Key Performance Indicators (KPIs) and in the development and review of the Strategic Plan, including consideration of more detailed implementation plans and operational strategies.

6.2 The Board has fifteen members (cf section 2.4) with a high level of knowledge and experience of leadership, management and governance in the higher education sector and from other relevant sectors and commercial environments.

6.3 The Board delegates responsibility for the implementation of its strategy and policy to the Chief Executive. The Chief Executive is responsible for ensuring that the Leadership Foundation delivers the programmes and activities agreed by the Board, and for ensuring that Key Performance Indicators are met.

6.4 The Chief Executive was supported by other members of the Senior Leadership Team, comprising the Key Management Personnel (cf section 2.4). There is a small core group of employed staff, with a larger group of contracted consultants as Associates who support programme and project delivery,

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consultancy and other interventions. Most of the team is based in London, but geographical balance has been maintained by appointing an Assistant Director Membership for each of the different parts of the UK that the Leadership Foundation serves, including each of the devolved administrations.

6.5 The Leadership Foundation has approximately forty Associates, who are engaged on a freelance basis for specific projects and assignments. The Associates are a key part of the Leadership Foundation community.

Board Committees

6.6 The Audit, Finance and Risk Committee's core terms of reference are:

- to advise the Board on the appointment of the Auditors and to monitor the performance and effectiveness of the appointed Auditors,
- to satisfy itself that adequate arrangements are in place to promote economy, efficiency and effectiveness and to ensure good value for money in all Leadership Foundation activities,
- to ensure compliance with relevant governance and internal control, standards and other national codes of practice as appropriate,
- to consider draft annual accounts for recommendation to the Board,
- to report as appropriate to the Board but in any event at least annually,
- to satisfy itself on the effectiveness of risk management within the Leadership Foundation,
- to have oversight of the Corporate Governance of the Leadership Foundation (including the activities of the Board and Sub-Committees) and to report to the Board accordingly,
- monitor the financial health of the Leadership Foundation, through scrutiny of financial plans, budgets, scenario planning, and management accounts and other financial reports.

6.7 The Nominations Committee's core terms of reference are:

- to guide the process of recruitment and selection of new Trustees,
- to interview prospective members of the Board,
- to make recommendations to the Board on appointments to be made,
- to make recommendations to the Board about the members to be invited to chair the three Sub-Committees.

6.8 The Remuneration Committee's core terms of reference are:

- to make recommendations to the Board about the Chief Executive's pay,
- to make recommendations to the Board about the overall structure of pay arrangements for the cohort of other employees,
- based on recommendations from the Chief Executive, to decide on any performance-related pay for certain designated senior staff, namely those identified as deputising for the Chief Executive,
- to monitor and make recommendations to the Board or the Chief Executive for action as necessary on equal pay issues,
- to advise the Board and the Chief Executive on the remuneration framework for associates,
- to review the performance of the Chair of the Board.

6.9 Five Board meetings were held during the year, which were well attended as indicated in the table below. "A" is shown where apologies were given; dashes are shown for meetings before and after Trustees were eligible to attend. All Trustees have also made very valuable contributions to the Leadership Foundation's work outside formal Board meetings, through participation in sub-committees and working groups, advice and guidance, and communication with key stakeholders.

The Leadership Foundation for Higher Education

Report of the Board for the year ended 31 July 2017

Trustee	Member of	Board Meeting Dates				
		5 October 2017	30 November 2016	15 March 2017	Extraordinary Board Meeting 19 May 2017	28 June 2017
Gillian Camm, Chair		✓	✓	✓	✓	✓
Geoff Dawson, Vice Chair	CUC	✓	✓	✓	✓	✓
Christine Abbott	AHUA	A	-	-	-	-
Wendy Alexander		A	✓	✓	A	✓
Sophie Bowen	AHUA	-	✓	✓	A	✓
Andy Chew		-	✓	A	✓	✓
Janet Legrand		✓	✓	✓	A	✓
Dr David Llewellyn	GuildHE	✓	✓	✓	✓	✓
Professor Julie Lydon	UUK	✓	✓	A	✓	✓
Professor Craig Mahoney	UUK	✓	✓	✓	✓	A
Stephen Marston	UUK	✓	✓	✓	✓	✓
Professor Nick Petford	UUK	A	✓	A	✓	A
Professor Colin Riordan	UUK	✓	✓	A	✓	✓
Farley Thomas		✓	✓	A	✓	✓
Rose Wangen Jones		✓	✓	✓	✓	✓
Professor Andrew Wathey	UUK	✓	✓	-	-	-
Professor Steve West	UUK	-	A	✓	A	✓

Stakeholder Engagement

6.10 In addition to its Board Committees, the Leadership Foundation uses short term working groups and a number of advisory groups to seek advice from its Trustees and higher education sector stakeholders, including:

The Governance Development and Advisory Forum (GDAF)
The Membership Advisory Group (MAG)

Recruitment and Appointment of the Board

6.11 The Articles of Association require that the Board, which has a maximum complement of fifteen Trustees, should include at least three members of Universities UK and at least one member of Guild HE. The composition of the Board should reflect the nations of the UK, relevant international organisations, universities of the UK, higher education colleges of the UK, and principal representative bodies within the UK including CUC (The Committee of University Chairs). The Articles also require that in making appointments to the Board, regard should be had to the desirability of diversity, and an appropriate balance between higher education experience and experience outside the higher education sector, including industry and commerce, the professions and the not-for-profit sector.

6.12 The recruitment and selection process for Trustees and Directors for the Board is guided by the Nominations Committee. Potential applicants are recruited through public advertisement, use of social media and organisations targeting under-represented groups, and from names suggested by a wide range of stakeholders, including funder and subscriber organisations, clients and alumni. Candidates make an application, providing statements, CVs and an equal opportunities form. This is followed by

The Leadership Foundation for Higher Education

Report of the Board for the year ended 31 July 2017

shortlisting and an interview-based selection process. Final decisions about new Trustees are taken by the Board on advice from the Selection Panel and Nominations Committee. At its meeting in June 2016 the Board agreed to the re-appointment of Professor Steve West, Vice Chancellor of the University of the West of England, to commence from the AGM in November 2016. He had previously served one term on the Board from November 2010 to November 2013. In addition Farley Thomas and Rose Wangen-Jones joined the Board on 1 October 2016 and Sophie Bowen and Andy Chew joined on 30 November 2016.

Trustee Induction and Training

6.13 On joining the Board, most Trustees are already familiar with the work of the Leadership Foundation through their roles in Higher Education and related sectors. New Trustees are provided with an induction programme including briefings from the Chair, the Chief Executive, the Company Secretary and other senior staff; key documents describing the work of the Leadership Foundation; and participation in appropriate Leadership Foundation events. The induction programme is designed to ensure that Trustees are familiar with their responsibilities, both legally and operationally, that they understand the constitutional and financial framework within which the Leadership Foundation operates, and that they have a good understanding of the Leadership Foundation's strategic objectives. The Board is kept abreast of important developments relevant to the role as a trustee of a charitable company and as a company director. There are also regular updates on strategy implementation, planned work, and the outputs and results achieved.

Remuneration

6.14 The Board has established a Remuneration Committee (see terms of reference in section 6.8 above) which advises on the overall staff remuneration, criteria to be used and comparative data, covering both salaries and any Non Recurrent Pay (NRP) or other specific arrangements. The Committee is not chaired by the Chair of the Board although she is a full member of the Committee.

6.15 The Board considers that the Trustees and the members of the Senior Leadership Team comprise the Key Management Personnel of the Charity. Together they are in charge of directing and controlling, running and operating the Charity on a day to day basis (cf sections 2.4 and 6.4). All Trustees give their time freely and do not receive remuneration. Details of Trustees' expenses and related party transactions are disclosed respectively in note 5 and note 19 to the accounts.

6.16 The remuneration of the Senior Leadership Team and all staff is reviewed annually and normally revised to reflect a cost of living adjustment comparable to that awarded within the higher education sector. The Committee considers and recommends to the Board any arrangements for Non Recurrent Pay (NRP), which is divided into two components - corporate NRP and NRP for personal performance - and proposes the funds required for this purpose. The Chair confirms the corporate NRP and the Chief Executive takes decisions on the personal performance NRP for all staff except those members of the Senior Leadership Team who are identified as eligible to deputise for her. Their personal performance NRP is approved by the Committee on her recommendation. In view of the nature of the charity, and the sector it serves, the Board and the Committee normally use higher education sector comparative data and benchmarks, but in setting spot point salaries on appointment may also consider pay levels in other charities and market rates for the relevant professional skills.

Corporate Governance, Risk Management, Internal Control

6.17 The Leadership Foundation is committed to high standards of corporate governance, for which the Board is accountable to its subscribers, funders, and stakeholders. The Board applies key principles of effective risk management with a wide scope (including governance, management, quality, reputational

The Leadership Foundation for Higher Education

Report of the Board for the year ended 31 July 2017

and financial issues, focusing on the most important risks). The Audit, Finance and Risk Committee takes an overview of matters relating to risk management, internal control and compliance, and receives regular reports to help it fulfil this responsibility. The Audit, Finance and Risk Committee reports to the Board after each meeting.

The Risk Register is maintained by the Company Secretary, with responsibility for mitigation assigned to senior individuals as appropriate. Regular review is undertaken by the Audit, Finance and Risk Committee and the Board. The major risks for the Leadership Foundation are explained in the *Risks and Uncertainties* section of this Report.

6.18 The Board recognises its responsibility for ensuring that a sound system of internal control is maintained, and believes this to be the case based on internal evidence and external review by auditors. The Board considers that it has been well served by its Key Management Personnel. The Board also believes that its systems have satisfactorily met the following expectations of the Higher Education Funding Council for England:

- a) The identification and management of risk should be an ongoing process linked to the achievement of institutional objectives,
- b) The approach to internal control should be risk-based, including an evaluation of the likelihood and impact of risks becoming a reality,
- c) Review procedures must cover business, operational, compliance and financial risk,
- d) Risk assessment and internal control should be embedded in ongoing operations,
- e) The governing body or relevant committee should receive regular reports during the year on internal control and risk,
- f) The principal results of risk identification, evaluation and management review of its effectiveness should be reported to, and reviewed by, the governing body,
- g) The governing body acknowledges that it is responsible for ensuring that a sound system of control is maintained, and that it has reviewed the effectiveness of the above process,
- h) Where appropriate, details of actions taken or proposed to deal with significant internal control issues should be set out.

Board Performance and Self-Assessment

6.19 The Board is mindful of the need to assess its own performance, and the leadership and management of the Board itself. A "light touch" review took place in late 2016 which indicated that the board was operating well with a few minor suggestions for improvement. The Chair of the Board has proposed to conduct individual interviews with Trustees in keeping with their schedules.

7. FINANCIAL REVIEW

7.1 The financial result across all activities of the Leadership Foundation during the year to July 2017 was a modest surplus of £78K.

7.2 The Leadership Foundation generates income from four main sources: fees for open programmes; consultancy fees; membership subscriptions; and commissioned work from the four national Funding Bodies, managed in 2016-17 through HEFCE.

7.3 The Leadership Foundation's turnover in 2016-17 was 12% lower than the previous year. There were three principal factors which accounted for much of the reduction. Firstly, during 2015-16, we exceptionally ran three cohorts of the high-value Top Management Programme and during 2016-17 we returned to the regular two, as planned. Secondly, the value of commissioned income from the four national Funding Bodies, together with fee income generated by related activities, was significantly lower in keeping with their respective strategies. Thirdly, income generated by international activities fell by 66%, reflecting the high degree of volatility associated with this income stream.

The Leadership Foundation for Higher Education

Report of the Board for the year ended 31 July 2017

7.4 Net income was reduced significantly from £358K in 2015-16 to £78K in 2016-17, as lower levels of activity were not fully matched by associated cost reductions.

7.5 In accordance with the Financial Reporting Standard FRS102 the Leadership Foundation has recognised a liability of £393K as at 31 July 2017 (2016: £456K) in respect of its commitments under the deficit repayment plan of the USS defined benefit pension scheme.

Commissioned work - Funder Supported Projects

7.6 The four national Funders provided investment of £976K, targeted to specific areas of activity designed to address Funders' priorities. A similar arrangement has been secured for the following year.

Related Parties

7.7 The Leadership Foundation has received valuable investment (see 7.6 above) from the Higher Education Funding Council for England (HEFCE), Higher Education Funding Council Wales (HEFCW), the Scottish Funding Council (SFC), and the Department for the Economy (Northern Ireland). The Chair and senior staff of the Leadership Foundation have regular "Funders' Group" meetings with senior representatives of the funders, to discuss strategic direction and a range of operational issues.

7.8 In the normal course of its operations, the Leadership Foundation has made a number of small grants to higher education institutions; there is no personal benefit derived from these grants and conflicts of interest are appropriately declared. Details of all grant transactions with related parties are set out in note 19 to the accounts.

Reserves

7.9 Reserves are required to provide working capital for the Leadership Foundation's activities, to enable it to respond to opportunities to invest in higher education projects over a period of time, and to protect against the risks inherent in the present economic climate. The total reserves are £2,259K comprising general funds of £1,932K, designated funds of £166K and restricted funds of £161K as at 31 July 2017 (see note 16).

7.10 The Board has reviewed its reserves policy and concluded that it should remain unchanged. The policy is that the undesignated general funds of the organisation, excluding unfunded investment in tangible fixed assets ("free reserves"), should be maintained at a level representing between three and six months of the forthcoming year's planned expenditure.

7.11 At 31 July 2017 the free reserves of the Leadership Foundation were £1.9m (2015: £1.8m). The level of reserves remains within the policy range of between three and six months' future expenditure – three to six months of planned expenditure for 2017-18 would represent between £1.6m and £3.2m. In the context of the economic circumstances, and the challenging prospects for the higher education sector, the Board believes this position is satisfactory.

7.12 The Designated Development Fund, previously created by the Board in order to finance the development of new programmes and the upgrading of business systems, was partially utilised during the year. The Board considers that the remaining balance of the Development Fund is adequate to fund known development plans for 2017-18.

The Leadership Foundation for Higher Education

Report of the Board for the year ended 31 July 2017

Investment Policy

7.13 At the end of the year the Board held cash investments which covered its free reserves and designated funds, as well as cash representing deferred income (i.e. amounts paid in advance by higher education institutions for future programmes and services).

7.14 Under its Memorandum, the Board may invest in investments, securities or property. The Board's current investment policy has been to invest funds surplus to immediate needs in secure and diversified bank deposits, obtaining the best return available. During the year, funds have been invested in deposit accounts with four banks, ranging from immediate access accounts to fixed term deposits of six months, with interest at rates of between 0.1% and 1.5%. These rates reflect the very low rates generally available during the year. As a consequence, the Board required a re-consideration of its treasury management policy through a short-life working group to report on options for improving returns as well as diversification to improve security and future banking arrangements. The establishment of this group was deferred in light of the proposal to merge the LFHE with the Higher Education Academy (HEA) and the Equality Challenge Unit (ECU).

8. PLANS FOR FUTURE PERIODS

8.1 The Leadership Foundation has refreshed its Strategic Plan *Catalysing Change: Strategy 2017-2020* in light of significant achievement to date, the current priorities of its stakeholders and the considerable changes to the higher education sector including the Higher Education and Research Act. Implementation of this revised strategy has been a focus of activity during 2016/17, recognising that the proposed merger of the LFHE with the HEA and the ECU has taken time and affected priorities. We shall also be responding to various commissions and requirements from the Funding Bodies with whom we work to ensure their requirements for stimulus and initiatives are met.

8.2 The Leadership Foundation expects to develop each stream of its earned income in future years, but with a clear objective of ensuring there is value for money and effective delivery to its diverse range of clients and stakeholders. In recognition of the financial pressure on its subscribers and those taking up places on its programmes the Leadership Foundation is holding its prices for 2017-18 at 2016-17 levels, looking to achieve cost efficiencies and further growth to retain its financial health and sustainability.

8.3 Key priorities over the next year

If the merger with the ECU and HEA is agreed and implemented, a comprehensive review of the services of all three organisations will be required. With respect to Leadership, Governance and Management, we would anticipate that this would reflect our general ambitions to:

- a) Developing ever more effective and cost efficient services to the sector, alongside the ECU and HEA within a merged organisation if agreed
- b) Implementing refreshed organisational strategy
- c) Refreshing and expanding our bespoke and specialist programmes and interventions to reflect the current and future political challenges that institutions face and support higher education leaders to translate policy into practice within their time constraints
- d) Broadening and deepening the range of initiatives and services in support of the sector-wide ambition to increase the effectiveness, capability and diversity of governing bodies
- e) Working with the Equality Challenge Unit to further promote and sustain inclusive cultures in which both staff and students thrive and achieve their potential
- f) Supporting the sector through the implications of the Higher Education and Research Act and the turbulent sector landscape

The Leadership Foundation for Higher Education

Report of the Board for the year ended 31 July 2017

- g) Implementing the new consultancy business and international strategies
- h) Implementing the membership support network
- i) Supporting the sector in moving policy into practice
- j) Delivering work commissioned by the Funding Bodies.

8.4 We will also seek to maintain and enhance our fundamental relationship with our member institutions - our "members first" strategy. It is important for the Leadership Foundation to deepen its awareness of actual and potential customers' views, and their development requirements, and develop its capacity for business insight.

8.5 The preservation and development of excellent relationships with our stakeholders – principally by delivering value for them – will remain of critical importance to us. In particular, our relationships with UUK, GuildHE, CUC and the four UK funding bodies will continue to be a top priority. In delivering its programmes the Leadership Foundation works with a wide range of sector organisations including CUC, UUK, AHUA, AMOSSHE, ARC, AUDE, BUFDG, ECU, HEA, HESPA, SCONUL, UCISA, UHR and funding bodies including DfE (Northern Ireland), HEFCE (England), HEFCW (Wales) and SFC (Scotland).

8.6 The Leadership Foundation continues to work to secure greater collaboration and look for cost saving opportunities with other key agencies and organisations serving the needs of the higher education sector. In the coming year it will be looking at ways to take advantage of known strategic alignments.

9. RISKS AND UNCERTAINTIES

9.1 As indicated in sections 6.17 and 6.18 above the Board considers that it meets sector expectations on risk management. The Board has carried out a robust assessment of the principal risks facing the Leadership Foundation, including those that would threaten its business model, future performance, solvency or liquidity. They will continue to monitor the position on all risks during the year. The most serious risks identified are:

- a) the proposed merger with HEA and ECU might blight the business in the meantime, with poor take up of membership and services and loss of staff morale leading to poor performance or loss of key personnel, and that the process of merger might fail or strain budgets beyond sustainable levels.
- b) the turbulence in the external environment from political factors and the pressure on our stakeholders might detrimentally affect buying decisions to a damaging degree.
- c) pressures on budgets of stakeholders might lead to unrealistic expectations about the price of services and a decline in take-up.
- d) constitutional changes to HEFCE/OfS might lead to loss of funder commissioning.
- e) increased competition from cheaper providers and university business schools might lead to a loss of market share and the influence of new providers might contribute to changes in buying behaviour that cannot be mitigated by our processes of continuous improvement and refreshment.
- f) an infrastructure failure including IT; financial management and fraud might occur and lead to severe damage to our ability to manage the business and our reputation for excellence in LGM.
- g) the loss of key staff or associates might lead to a fall in sales or the inability to deliver contracted services.

The Leadership Foundation for Higher Education

Report of the Board for the year ended 31 July 2017

9.2 The Board believes that its risk profile is appropriate for the organisation and its circumstances. The Chief Executive, with the support of the Senior Leadership Team, is fully and actively engaged in managing and mitigating the risks in accordance with the mandate from the Board.

9.3 The Board monitors the company's risk management and internal control systems and has established a cyclical pattern of reviewing the effectiveness of key controls.

9.4 In preparation for merger the LF has already incurred opportunity costs in terms of senior staff inputs; we anticipate that further significant financial and human resources will be required to fully inform the Board before taking the final decision, and subsequently, if applicable, to manage the transition.

10. STATEMENT OF TRUSTEES' RESPONSIBILITIES

10.1 The Trustees, as directors of the charitable company, are responsible for preparing the Trustees' Report and the Financial Statements in accordance with applicable law and regulations.

10.2 Company law requires the Trustees to prepare Financial Statements for each financial year. Under that law the Trustees have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its financial position for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities Statement of Recommended Practice;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

10.3 The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

10.4 So far as each of the Trustees is aware at the time the report is approved:

- there is no relevant audit information of which the charitable company's auditors are unaware; and
- the Trustees have taken all the necessary steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

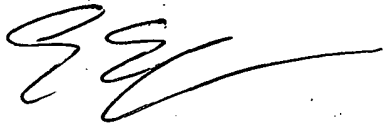
10.5 The Auditors, haysmacintyre, were re-appointed as the Leadership Foundation's auditors for the period to 31 July 2018 and have expressed their willingness to continue in that capacity.

The Leadership Foundation for Higher Education

Report of the Board for the year ended 31 July 2017

Board Approval

10.6 The Report of the Board and the Strategic Report which is presented therein were both approved by the Board on 4 October 2017, and signed on their behalf by:



.....
Mrs Gillian Camm
Chair

Independent Auditors' Report to the Members of The Leadership Foundation for Higher Education

Opinion

We have audited the financial statements of The Leadership Foundation for Higher Education for the year ended 31 July 2017 which comprise the Statement of Financial Activities, the Balance Sheet, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 July 2017 and of the charitable company's net movement in funds, including the income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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. We are independent of the charity 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.

Responsibilities of trustees for the financial statements

As explained more fully in the trustees' responsibilities statement set out on page 18, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the 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

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

Independent Auditors' Report to the Members of The Leadership Foundation for Higher Education

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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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 trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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 trustees are responsible for the other information. The other information comprises the information included in the Report of the Board (incorporating the Strategic Report). Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 this other information, we are required to report that fact. We have nothing to report in this regard.

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 Report of the Board (which incorporates 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 Report of the Board (which incorporates the Strategic Report and the Directors' Report) has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Board (which incorporates 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 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the charitable company; or

**Independent Auditors' Report to the Members of
The Leadership Foundation for Higher Education**

- the charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit



Tracey Young (Senior Statutory Auditor)
For and on behalf of haysmacintyre, Statutory Auditors
Dated: 4 October 2017

26 Red Lion Square
London
WC1R 4AG

Statement of Financial Activities
(including an income and expenditure account)

For the year ended 31 July 2017

	Note	Restricted £	Designated £	Unrestricted £	Total 2017 £	Total 2016 £
Income						
<i>Charitable activities</i>						
Governance programmes	2	-	-	146,806	146,806	140,154
Top management programmes		-	-	699,347	699,347	962,589
Executive leadership programmes		-	-	1,901,744	1,901,744	1,840,396
Professional programmes		-	-	152,020	152,020	233,179
Tailored programmes		-	-	561,478	561,478	666,670
International programmes		-	-	173,766	173,766	514,875
Organisational development		-	-	612,577	612,577	538,419
Membership		-	-	955,119	955,119	953,762
Innovation and development		-	-	1,000	1,000	8,150
Funder-commissioned projects		976,000	-	25,330	1,001,330	1,215,698
<i>Investment income</i>	3	-	-	19,843	19,843	33,468
Total income		976,000	-	5,249,030	6,225,030	7,107,360
Expenditure						
<i>Charitable activities</i>						
Governance programmes	4	-	1,493	137,673	139,166	136,607
Top management programmes		-	7,108	618,035	625,143	741,669
Executive leadership programmes		-	17,954	1,641,771	1,659,725	1,487,945
Professional programmes		-	1,871	190,567	192,438	232,060
Tailored programmes		-	6,807	561,857	568,664	657,463
International programmes		-	1,959	248,200	250,159	515,132
Organisational development		-	8,136	764,851	772,987	641,900
Membership		-	4,891	728,961	733,852	677,248
Innovation and development		10,188	26,177	276,071	312,436	417,822
Funder-commissioned projects		883,402	7,739	1,369	892,510	1,241,194
Total expenditure		893,590	84,135	5,169,355	6,147,080	6,749,040
Net income / (expenditure)		82,410	(84,135)	79,675	77,950	358,320
Net movement in funds		82,410	(84,135)	79,675	77,950	358,320
Funds brought forward		78,603	249,960	1,852,289	2,180,852	1,822,532
Funds carried forward	16	161,013	165,825	1,931,964	2,258,802	2,180,852

The notes on pages 27 to 41 form part of these financial statements

The statement of financial activities includes all gains and losses recognised in the year

All amounts derive from continuing activities

Full comparative figures for the year ended 31 July 2016 are shown in note 20.

Balance Sheet

At 31 July 2017

	Note	2017 £	2017 £	2016 £
Fixed assets				
Tangible assets	8		12,691	25,074
Current assets				
Debtors	9	751,936		901,931
Cash and cash equivalents		4,542,045		4,521,957
		5,293,981		5,423,888
Current liabilities				
Creditors: amounts falling due within one year	9	(2,570,629)		(2,668,807)
Net current assets			2,723,352	2,755,081
Creditors: amounts falling due after one year	11		(477,241)	(599,303)
Net assets			2,258,802	2,180,852
Funds	16			
Unrestricted funds				
General funds			1,931,964	1,852,289
Designated funds			165,825	249,960
Total unrestricted funds			2,097,789	2,102,249
Restricted funds			161,013	78,603
Total charity funds			2,258,802	2,180,852

Approved by the Board and authorised for issue on 4 October 2017 and signed on their behalf by



Gillian Camm - Chair



Alison Johns - Chief Executive

The notes on pages 27 to 41 form part of these financial statements

Statement of Cash Flows

For the year ended 31 July 2017

	Note	2017 £	2016 £
Cash flows from operating activities:			
Net cash provided by operating activities	18	8,027	378,596
Cash flows from investing activities			
Interest income		19,843	33,468
Purchase of tangible fixed assets		(7,782)	(21,997)
Cash provided by investing activities		12,061	11,471
Increase in cash and cash equivalents in the year		20,088	390,067
Cash and cash equivalents at the beginning of the year		4,521,957	4,131,890
Total cash and cash equivalents at the end of the year		4,542,045	4,521,957
 Cash and cash equivalents comprise:			
Short term deposits		2,844,853	2,527,504
Cash at bank and in hand		1,697,192	1,994,453
Total cash and cash equivalents		4,542,045	4,521,957

The Leadership Foundation for Higher Education

Notes to the financial statements

For the year ended 31 July 2017

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The Leadership Foundation for Higher Education meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note.

The principal accounting policies adopted, judgements and key sources of estimation and uncertainty in the preparation of the financial statements are as follows:

Critical accounting judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the charity's accounting policies and the reported assets, liabilities, income and expenditure and the disclosures made in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The liability in respect of the pension deficit recovery plan has been calculated using key assumptions concerning future payroll growth and the discount rate (see Note 13).

Preparation of accounts on a going concern basis

The Board is currently in discussion with two other organisations to explore the potential advantages of a future merger. At the same time the Board considers that there are no material uncertainties about the charity's ability to continue as a going concern. The review of our financial position, reserves levels and future plans gives the Board confidence that the charity remains a going concern for the foreseeable future.

Income recognition

All income is recognised once the charity has entitlement to income, it is probable that income will be received and the amount of income receivable can be measured reliably.

Grants are recognised in full in the statement of financial activities in the year in which they are receivable.

Membership subscriptions are brought into the statement of financial activities on a receivable basis. Subscriptions received in advance of the year to which they relate are treated as deferred income in the balance sheet.

Programme and event income is included in the statement of financial activities in the period in which the programme or event is held.

Investment income is recognised on a receivable basis once the amounts can be measured reliably.

The Leadership Foundation for Higher Education

Notes to the financial statements

For the year ended 31 July 2017

1. Accounting policies/contd

Expenditure

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

Expenditure is allocated to the particular activity where the cost relates directly to that activity. However, the cost of overall direction and administration of each activity (including projects from designated funds), comprising the salary and overhead costs of the central function, is apportioned on the basis of an estimate of the amount of staff time attributable to each activity. These percentages are updated annually to reflect the activities carried out by staff in the relevant year.

	2017	2016
Governance programmes	2%	2%
Top management programmes	8%	8%
Executive leadership programmes	24%	23%
Professional programmes	3%	3%
Tailored programmes	7%	7%
International programmes	5%	6%
Organisational development	12%	10%
Membership	17%	16%
Innovation and development	6%	7%
Funder-supported projects	16%	18%
	<u>100%</u>	<u>100%</u>

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

Operating lease rental charges are charged on a straight line basis over the life of the lease.

Grants payable are included in the statement of financial activities in the year for which a constructive obligation arises to the grant recipient.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Assets costing more than £1,000 are capitalised.

Depreciation is provided at rates calculated to write down the cost of each asset to its estimated residual value in equal instalments over its expected useful life. The depreciation rates in use are as follows:

Office equipment	25%
Website development costs	33%
Computer equipment	33%

The Leadership Foundation for Higher Education

Notes to the financial statements

For the year ended 31 July 2017

1. Accounting policies/contd

Basic financial instruments

Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost. Financial assets held at amortised cost comprise cash at bank and in hand, together with trade and other debtors. A specific provision is made for debts for which recoverability is in doubt. Cash at bank and in hand is defined as all cash held in instant access bank accounts and used as working capital. Financial liabilities held at amortised cost comprise all creditors except social security and other taxes and provisions.

Debtors

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

Cash

Cash is held in the form of demand and fixed-term interest-bearing bank deposits, which are accounted for in the financial statements at book value.

Creditors and provisions

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

Funds

Unrestricted funds are donations and other income receivable or generated for the objects of the charity. Designated funds are unrestricted funds earmarked by the Board for particular purposes. Restricted funds are those funds which are to be used in accordance with specific instructions imposed by the donor or trust deed.

Employee benefits

Short term benefits including holiday pay are recognised as an expense in the period in which the service is received. Termination benefits are accounted for on an accruals basis and in line with FRS 102.

Pensions

The Leadership Foundation participates in the Universities Superannuation Scheme (USS), a defined benefit pension scheme. The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The Leadership Foundation is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to its employees. The pension costs charged in the financial statements comprise the contributions payable during the year and any change to the value of the pension deficit recovery plan liability. Further information may be found in note 13.

The Leadership Foundation for Higher Education

Notes to the financial statements

For the year ended 31 July 2017

2. Income from charitable activities

Income has been categorised by charitable activity in the statement of financial activities, and is classified by type of income below:

	2017	2016
	£	£
Fees for programmes and consultancy	4,269,129	5,063,722
Membership subscriptions	955,119	953,762
Funders' grants for projects	976,000	1,044,122
Other income	4,939	12,286
	<u>6,205,187</u>	<u>7,073,892</u>

3. Investment income

Bank interest	<u>19,843</u>	<u>33,468</u>
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The Leadership Foundation for Higher Education

Notes to the financial statements

For the year ended 31 July 2017

4. Expenditure

	Governance programmes £	Top management programmes £	Executive leadership programmes £	Professional programmes £	Tailored programmes £	International programmes £	Organisational development £	Membership £	Innovation and development £	Funder-supported projects £	Total 2017 £	2016 £
<i>Direct project costs</i>												
Staff costs (Note 6)	1,800	-	37,830	45,400	6,100	26,545	82,096	-	-	15,300	215,071	283,710
Consultants and associates	33,150	200,142	356,335	8,792	312,292	56,414	300,250	76,421	55,942	192,275	1,592,013	1,815,702
Accommodation and travel	42,429	175,763	541,974	40,982	37,860	22,402	58,596	56,186	14,028	113,168	1,103,388	1,161,983
Materials and publications	4,218	12,641	45,193	7,096	15,810	1,731	3,757	58,223	56,270	28,464	233,403	340,904
Grants (Note 21)	-	-	-	-	-	-	-	76,500	63,830	73,790	214,120	457,089
less unspent grants made in previous years written back	-	-	-	-	-	-	-	-	(33,272)	-	(33,272)	(20,484)
Total Direct Project Costs	81,597	388,546	981,332	102,270	372,062	107,092	444,699	267,330	156,798	422,997	3,324,723	4,038,904
<i>Support costs</i>												
Staff costs (Note 6)	42,988	170,991	504,460	70,058	136,830	117,255	248,176	390,952	123,329	377,297	2,182,336	2,023,573
Governance costs (Note 5)	1,014	4,684	12,140	1,340	4,370	1,591	5,585	4,390	2,122	5,916	43,152	52,595
Office costs	7,895	35,425	94,142	10,937	32,192	14,273	43,919	41,946	17,789	50,857	349,375	343,170
Marketing costs	4,830	21,674	57,597	6,690	19,696	8,733	26,871	25,664	10,884	31,115	213,754	226,916
Other support costs	842	3,823	10,054	1,143	3,514	1,215	3,737	3,570	1,514	4,328	33,740	63,882
Total Support Costs	57,569	236,597	678,393	90,168	196,602	143,067	328,288	466,522	155,638	469,513	2,822,357	2,710,136
Total Expenditure 2017	139,166	625,143	1,659,725	192,438	568,664	250,159	772,987	733,852	312,436	892,510	6,147,080	6,749,040

Total Expenditure 2016	136,607	741,669	1,487,945	232,060	657,463	515,132	641,900	677,248	417,822	1,241,194		6,749,040
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The Leadership Foundation for Higher Education

Notes to the financial statements

For the year ended 31 July 2017

5. Governance Costs	2017 £	2016 £
Staff costs (Note 6)	19,934	20,542
Board costs:		
expenses	4,109	2,462
recruitment	-	6,116
meetings	6,649	11,875
Auditor's remuneration:		
audit work	12,460	11,600
	<u>43,152</u>	<u>52,595</u>

6. Staff costs and numbers

Staff costs were as follows:	2017 £	2016 £
Salaries and wages	1,742,220	1,559,181
Social security costs	190,836	146,601
Pension contributions	218,652	205,926
Redundancy payments	-	60,000
Other staff costs	265,633	356,117
Total staff costs	<u>2,417,341</u>	<u>2,327,825</u>
Comprising:		
Direct project costs (Note 4)	215,071	283,710
Support costs (Note 4)	2,182,336	2,023,573
Governance costs (Note 5)	19,934	20,542
	<u>2,417,341</u>	<u>2,327,825</u>

Other staff costs include the costs of agency staff, consultants and secondees occupying managerial and administrative positions within the organisation.

The number of employees whose emoluments for the year fell within the following bands were:	2017 Number	2016 Number
£60,001 - £70,000	2	1
£70,001 - £80,000	3	4
£90,001 - £100,000	-	1
£100,001 - £110,000	2	-
£140,001 - £150,000	1	1

Of these, 8 employees are accruing pension contributions totalling £124,967 under the defined benefit pension scheme (2016: 7 employees accruing £92,379).

The Leadership Foundation for Higher Education

Notes to the financial statements

For the year ended 31 July 2017

6. Staff costs and numbers/continued

The total benefits of key management personnel were £719,190 (2016: £788,220). The key management personnel are the members of the senior leadership team, comprising:

Chief Executive
Chief Operating Officer and Company Secretary
Director of Consultancy and Business Development
Director of Leadership Development
Director, Membership and Organisational Development
Director of Research
Director of Marketing and Communications

The average number of employees during the year was as follows:

	2017 Number	2016 Number
Direct project activity	4	2
Support activity	<u>32</u>	<u>29</u>
	<u>36</u>	<u>31</u>

7. Net income for the year

This is stated after charging:

	2017 £	2016 £
Depreciation	20,165	20,396
Board members' remuneration	nil	nil
Board members' expenses	4,133	2,462
Auditors' remuneration	12,460	11,600
Operating lease rentals	52,440	52,440

Professional indemnity insurance is in place for all Board members and employees acting in a managerial capacity. The charge for the year is £3,940 (2016: £4,057). The proportion relating to Board members cannot be separately identified within this total.

Board members' reimbursed expenses represent the reimbursement of travel, accommodation, phone and subsistence costs to 7 (2016: 9). Board members relating to attendance at meetings of the Board and Leadership Foundation events.

The Leadership Foundation for Higher Education

Notes to the financial statements

For the year ended 31 July 2017

8. Tangible fixed assets	Office Equipment £	Computer Equipment £	Website Development £	Total £
Cost				
At 1 August 2016	53,425	149,778	87,814	291,017
Additions	-	7,782	-	7,782
Disposals	-	(18,787)	-	(18,787)
Balance at 31 July 2017	<u>53,425</u>	<u>138,773</u>	<u>87,814</u>	<u>280,012</u>
Accumulated depreciation				
At 1 August 2016	52,659	125,470	87,814	265,943
Charge for the year	255	19,910	-	20,165
Disposals	-	(18,787)	-	(18,787)
Balance at 31 July 2017	<u>52,914</u>	<u>126,593</u>	<u>87,814</u>	<u>267,321</u>
Net book value				
Carried forward at 31 July 2017	<u>511</u>	<u>12,180</u>	<u>-</u>	<u>12,691</u>
Brought forward at 1 August 2016	<u>766</u>	<u>24,308</u>	<u>-</u>	<u>25,074</u>

9. Debtors: amounts falling due within one year	2017 £	2016 £
Trade debtors	477,045	678,676
Prepayments	211,788	188,461
Other debtors	63,103	34,794
	<u>751,936</u>	<u>901,931</u>

10. Creditors: amounts falling due within one year	2017 £	2016 £
Trade creditors	347,438	388,010
Other creditors	704,097	773,831
Other taxation and social security	55,955	46,945
Pension scheme deficit recovery plan (Note 13)	36,226	31,984
Accruals	285,460	288,360
Deferred income (Note 12)	1,141,453	1,139,677
	<u>2,570,629</u>	<u>2,668,807</u>

The Leadership Foundation for Higher Education

Notes to the financial statements

For the year ended 31 July 2017

11. Creditors: amounts falling due after one year	2017	2016
	£	£
Pension scheme deficit recovery plan (Note 13)	356,717	423,659
Deferred income (Note 12)	120,524	175,644
	477,241	599,303

Deferred income relates to membership subscriptions received for the years ending 31 July 2019 and 31 July 2020.

12. Analysis of deferred income	2017	2016
	£	£
Deferred income relates to membership subscriptions and course fees received in advance.		
Deferred income at 1 August	1,315,321	1,442,225
Applied during the year	1,086,333	1,059,718
Released during the year	(1,139,677)	(1,186,622)
Deferred income at 31 July	1,261,977	1,315,321

13. Pension scheme deficit recovery plan

The Leadership Foundation participates in the Universities Superannuation Scheme (USS), a defined benefit pension scheme. Under the terms of the scheme's 2015 pension deficit recovery plan the Leadership Foundation is required to make additional employer contributions of 2% of the salaries of employees who are scheme members, every year up until 31 March 2031; this recovery plan supersedes the USS 2012 deficit recovery plan which required additional payments to be made up to 31 March 2022. The liability of the Leadership Foundation has been calculated as the discounted value of total future payments under the terms of the deficit reduction plans, using a discount rate of 1% and assuming that the value of future payments increases by 8% in 2017-18 in accordance with agreed budgets, then reduces by 10% in 2018-19 and by 15% in 2019-20 in line with current expectations, and thereafter increases by 1% per annum.

	2017	2016
	£	£
Amounts falling due within one year	36,226	31,984
Amounts falling due after one year	356,717	423,659
Total pension scheme deficit recovery plan liability	392,943	455,643
Pension scheme deficit liability at 1 August	455,643	468,386
Re-estimation of liability	(31,288)	-
Released during the year	(31,412)	(12,743)
Pension scheme deficit liability at 31 July	392,943	455,643

The Leadership Foundation for Higher Education

Notes to the financial statements

For the year ended 31 July 2017

14. Operating lease commitments

At the year end the Leadership Foundation was committed to making the following payments in total in respect of operating leases:

	Property 2017 £	Property 2016 £
Leases which expire:		
Within one year	30,590	52,440
Within two to five years	-	30,590

15. Analysis of net assets between funds

	General £	Designated £	Restricted £	Total funds £
Fixed assets	12,691	-	-	12,691
Current assets	4,551,908	231,503	510,570	5,293,981
Creditors falling due within 1 year	(2,155,394)	(65,678)	(349,557)	(2,570,629)
Creditors falling due after 1 year	(477,241)	-	-	(477,241)
Net assets at 31 July 2017	1,931,964	165,825	161,013	2,258,802

16. Analysis of funds

	Balance 1 August 2016 £	Income £	Expenditure £	Balance 31 July 2017 £
Restricted funds				
Funder-supported projects	-	839,000	(766,403)	72,597
Prevent Strategy	-	72,000	(57,603)	14,397
Wales Leadership Development Programme	-	65,000	(34,612)	30,388
Leading Places	20,700	-	(20,700)	-
Changing the Learning Landscape	27,804	-	(4,084)	23,720
Innovation and Transformation Fund	30,099	-	(10,188)	19,911
Total restricted funds	78,603	976,000	(893,590)	161,013
Unrestricted funds				
General funds	1,852,289	5,249,030	(5,169,355)	1,931,964
Designated funds				
Innovation and Transformation Fund	45,467	-	(10,188)	35,279
Development Fund	204,493	-	(73,947)	130,546
Total designated funds	249,960	-	(84,135)	165,825
Total funds	2,180,852	6,225,030	(6,147,080)	2,258,802

The Leadership Foundation for Higher Education

Notes to the financial statements

For the year ended 31 July 2017

16. Analysis of funds/contd

Analysis of funds - prior year	Balance 1 August 2015 £	Income/ Transfers £	Expenditure/ Transfers £	Balance 31 July 2016 £
Restricted funds				
Funder-supported projects	-	816,122	(816,122)	-
Prevent Strategy	-	160,000	(160,000)	-
Executive search firm research	-	20,000	(20,000)	-
Leading Places	-	48,000	(27,300)	20,700
Changing the Learning Landscape	50,789	-	(22,985)	27,804
Innovation and Transformation Fund	47,878	-	(17,779)	30,099
Total restricted funds	<u>98,667</u>	<u>1,044,122</u>	<u>(1,064,186)</u>	<u>78,603</u>
Unrestricted funds				
General funds	<u>1,409,314</u>	<u>6,063,238</u>	<u>(5,620,263)</u>	<u>1,852,289</u>
Designated funds				
Innovation and Transformation Fund	93,424	-	(47,957)	45,467
Development Fund	<u>221,127</u>	<u>100,000</u>	<u>(116,634)</u>	<u>204,493</u>
Total designated funds	<u>314,551</u>	<u>100,000</u>	<u>(164,591)</u>	<u>249,960</u>
Total funds	<u>1,822,532</u>	<u>7,207,360</u>	<u>(6,849,040)</u>	<u>2,180,852</u>

Funder-supported projects: funds have been provided by the Higher Education Funding Council for England (HEFCE), the Higher Education Funding Council for Wales (HEFCW), the Department for the Economy (Northern Ireland) and the Scottish Funding Council (SFC) to deliver specific programmes and projects encompassing four themes: Governance for Current and Future Higher Education, Tackling Diversity Challenges, Leadership for the new HE Environment and Developing 'What Works' for Higher Education.

Prevent Strategy: funds have been provided by HEFCE for the delivery of a training and support programme in higher education for the Prevent strategy.

Executive search firm research: funds have been provided by HEFCE to enable research to be conducted on the role of executive search firms in senior HE recruitment.

Wales Leadership Development Programme: HEFCW has provided funding for a leadership development programme for the higher education sector in Wales.

Leading Places: funds have been provided by HEFCE to facilitate and co-ordinate the work of six Action Learning Partnerships across England.

Changing the Learning Landscape is a programme funded by HEFCE intended to develop the leadership of online learning, delivered in partnership with other sector bodies JISC, NUS, ALT and the HEA.

The Leadership Foundation for Higher Education

Notes to the financial statements

For the year ended 31 July 2017

16. Analysis of funds/contd

Designated funds

The Innovation and Transformation Fund comprises both Restricted and Designated funds. Further information is provided below.

The Development Fund was created to fund costs associated with the development of new learning programmes and the upgrading of information technology systems and software.

Innovation and Transformation Fund

The Innovation and Transformation Fund is jointly funded by the Leadership Foundation and HEFCE, whose contributions are accounted for in designated funds and restricted funds respectively. The fund movements are summarised below:

Innovation and Transformation Fund	HEFCE funded (Restricted) £	Leadership Foundation funded (Designated) £	Total £
Brought forward	30,099	45,467	75,566
less case studies and monitoring costs	(5,635)	(5,635)	(11,270)
less management costs	(4,553)	(4,553)	(9,106)
Carried forward	19,911	35,279	55,190

17. Taxation

The Leadership Foundation is exempt from corporation tax as all its income is charitable and is applied for charitable purposes. The charity is not exempt from VAT which is included (where irrecoverable) with the expenses to which it relates on the Statement of Financial Activities.

18. Reconciliation of net income / (expenditure) to net cash inflow from operating activities

	2017 £	2016 £
Net income for the year	77,950	358,320
Add back depreciation charge	20,165	20,396
Deduct interest income	(19,843)	(33,468)
Decrease/(increase) in debtors	149,995	(43,105)
(Decrease)/ increase in creditors	(220,240)	76,453
Net cash provided by operating activities	8,027	378,596

The Leadership Foundation for Higher Education

Notes to the financial statements

For the year ended 31 July 2017

19. Related party transactions

During the year the Leadership Foundation made several material grants where a Board member, permanent or seconded member of staff, or their immediate family had a connection with the recipient organisation. They form part of the grants committed in the year of £214,120 (2016: £457,089).

	2017	2016
	£	£
Grants to Sheffield Hallam University: related party Geoff Dawson (Board member of the Leadership Foundation and former Chair of the Board of Governors, Sheffield Hallam University)	8,500	-
Grant to the University of Northampton: related party Nick Petford (Board member of the Leadership Foundation and Vice-Chancellor of the University of Northampton)	-	10,000

As noted in the Report of the Board, in some cases Leadership Foundation Board members hold senior positions in recipient organisations. However no Board members were involved in decisions concerning grants made to their own institutions.

The Leadership Foundation for Higher Education

Notes to the financial statements

For the year ended 31 July 2017

20. Comparative Statement of Financial Activities (2016)

	Restricted	Designated	Unrestricted	Total 2016
Income	£	£	£	£
<i>Charitable activities</i>				
Governance programmes	-	-	140,154	140,154
Top management programmes	-	-	962,589	962,589
Executive leadership programmes	-	-	1,840,396	1,840,396
Professional programmes	-	-	233,179	233,179
Tailored programmes	-	-	666,670	666,670
International programmes	-	-	514,875	514,875
Organisational development	-	-	538,419	538,419
Membership	-	-	953,762	953,762
Innovation and development	-	-	8,150	8,150
Funder-commissioned projects	1,044,122	-	171,576	1,215,698
<i>Investment income</i>	-	-	33,468	33,468
Total income	1,044,122	-	6,063,238	7,107,360
Expenditure				
<i>Charitable activities</i>				
Governance programmes	-	2,893	133,714	136,607
Top management programmes	-	15,706	725,963	741,669
Executive leadership programmes	-	31,509	1,456,436	1,487,945
Professional programmes	-	4,914	227,146	232,060
Tailored programmes	-	13,922	643,541	657,463
International programmes	-	10,908	504,224	515,132
Organisational development	-	13,593	628,307	641,900
Membership	-	14,341	662,907	677,248
Innovation and development	-	8,848	408,974	417,822
Funder-commissioned projects	1,064,186	47,957	129,051	1,241,194
Total expenditure	1,064,186	164,591	5,520,263	6,749,040
Net income	(20,064)	(164,591)	542,975	358,320
Transfers between funds	-	100,000	(100,000)	-
Net movement in funds	(20,064)	(64,591)	442,975	358,320
Funds brought forward	98,667	314,551	1,409,314	1,822,532
Funds carried forward	78,603	249,960	1,852,289	2,180,852

The Leadership Foundation for Higher Education

Notes to the financial statements

For the year ended 31 July 2017

21. Grants

During the year the Leadership Foundation awarded the following grants totalling £214,120 (2016: £457,089):

Institution	Project	Grant £
Membership grants		
Bishop Grosseteste College	Management of small higher education institutions network	50,000
Staff Developers' Forum	Annual grant	26,500
		76,500
Research grants		
Gloria Moss	Exploring BME students' perception of inclusive leadership styles	2,000
Funder-commissioned project grants		
Ellen Hazelkorn	Internationalisation and the geopolitics of higher education: rethinking leadership for challenging times	5,000
Rajani Naidoo	Leadership in a fractured world: collaborating on global challenges	5,000
Dom Weinberg	It's a bit more complex than freedom of speech	5,000
Martin Hall	Inequality and higher education: market place or social justice	5,000
Stephanie Fade	Scoping a "What Works Centre" in higher education leadership	12,480
Stephanie Fade	"What Works" in leadership, governance and management of higher education: two thought leadership publications	3,120
Melissa Ream	"What Works" in leadership, governance and management of higher education: two thought leadership publications	6,240
Melissa Ream	Scoping a "What Works Centre" in higher education leadership	1,950
University of Hertfordshire	Transformational change in higher education	24,000
Equalities Challenge Unit	Diversifying leadership toolkit for sponsors, champions and mentors	6,000
		73,790
Small development project grants		
University of Hertfordshire	Academic leadership to address the BME attainment gap	8,000
University of Hertfordshire	Enhancing management practices through creative solutions	500
Sheffield Hallam University	Use and abuse of the student voice: leader's responsibilities for making positive use of student evaluations in higher education	8,000
Sheffield Hallam University	An academic evaluation of the Pathways Mentoring Scheme at Sheffield Hallam University	500
Birmingham City University	Catalysing change - development of the HE international leader	8,000
University of Southampton	Recognising and rewarding academic citizenship	8,000
University of Central Lancashire	Healthy universities: whole university leadership for health, wellbeing and sustainability	8,000
University of Strathclyde	Empowering leadership to support transgender students	7,400
King's College London	The excellent and inclusive university: an institutional framework	7,970
University of Portsmouth	A recipe for Teaching Excellence Framework success: perceptions of leaders of high performing academic departments	500
Oxford Brookes University	Reciprocal loyalty	500
University of Sheffield	Using a causal model of organisational performance to catalyse departmental change	500
University of Sheffield	Aren't they all leaving anyway? What's the value of mentoring early career research staff?	460
University of Lincoln	Developing academic leadership and innovative practice: programme leader development pilot	500
Northumbria University	Collaborative learning - strategies for effective leadership in university joint ventures	500
University of Bath	Organisational development; examples of practice to transform higher education institutions	2,500
		61,830
Total grants awarded in the year		214,120