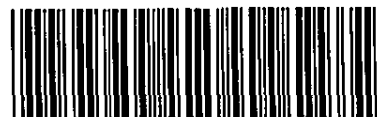


THE HIGHER EDUCATION ACADEMY

Report and Financial Statements
Year ended
31 July 2008

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The Higher Education Academy Financial Statements For the Year ended 31 July 2008

Nature, Objectives and Strategies

Legal Status

The Academy was incorporated as a company limited by guarantee on 14 October 2003. The Academy was established for the purpose of:

- providing strategic advice and co-ordination to the higher education sector, government, funding bodies and others on policies and practices that will impact on and enhance the student experience;
- supporting and advancing curriculum and pedagogic development across the whole spectrum of higher education activity; and
- facilitating the professional development and increasing the professional standing of all staff in higher education.

The Academy obtained charitable status as a registered charity for the purposes of the Charities Act 1993.

Mission

Our mission during 2007-2008 was to help institutions, discipline groups and all staff to provide the best possible learning experience for their students.

Implementation of Strategic Plan

We continued progress towards implementing our strategic plan (2005-2010) during this year, whilst developing a new plan for 2008-2013. Our strategic aims during this year were:

1. To be an authoritative and independent voice on policies that influence student learning experiences
2. To support institutions in their strategies for improving the student learning experience
3. To lead, support and inform the professional development and recognition of staff in higher education
4. To promote good practice in all aspects of support for the student learning experience
5. To lead the development of research and evaluation to improve the quality of the student learning experience
6. To be a responsive, efficient and accountable organisation.

Further details about our activities in implementing these aims can be found in the Annual Report 2007-2008 which will be available from the Company Secretary or on our website from January 2009 onwards.

Financial objectives

The financial objectives for the year were:

1. To maintain a level of reserves in line with the reserves policy
2. To deliver value for money through effective financial policies and procedures
3. To maintain a positive cash flow with cash balances at any time covering one month's full expenditure
4. To achieve a balanced budget at the year end

The Higher Education Academy Financial Statements For the Year ended 31 July 2008

These were achieved, as detailed below, with the exception of the balanced budget, where we generated a higher surplus than originally planned.

Performance indicators

We set a number of performance indicators in its operational plan for 2007-2008. The key ones are listed below, with a brief assessment of what has been achieved;

Key performance indicator	What we have achieved
Evidence of influence in policy of key priority areas in the HE sector	We received 600 responses to the survey about the future of teaching and the student experience; part of the advice being collated for the Secretary of State by our Chief Executive Three National Subject Profiles have been published (Microbiology, Materials Science and Biochemistry)
Targeted number of higher education institutions visited	We visited 83 HEIs as part of our Institutional Partnership Programme
Active involvement in National Teaching Fellowship Projects	We awarded grants for 10 National Teaching Fellowship Projects during the 2007-2008 cycle and received update reports from all projects where grants were awarded in 2005-2006 and 2006-2007.
Integrated plan for Assessment and Feedback activity	Our facilitation group made good progress in co-ordinating our plans in this area and we have been asked to work with the Burgess Implementation Group to design and pilot the Higher Education Achievement Report (HEAR)
Integrated plan for Employer Engagement	Our facilitation group's coordination of plans enabled us to gain additional funding from the Higher Education Funding Council for England to support networking activities for workforce development and the development of part of the research observatory.
Targeted number of accreditation visits	We conducted 58 accreditations of professional development programmes and 4 of institutional continuing professional development frameworks during 2007-2008
Increased number of Associate Fellows, Fellows and Senior Fellows	As at July 2008 we had 784 Associate Fellows, 18,872 Fellows and 19 Senior Fellows. This represents an overall growth of 31% from the beginning of the Academy
New website operational	The Academy's new website went live in September 2007, as planned. Work is in progress to overcome some difficulties with early implementation and the website presents new opportunities that were not previously available.
Subject Centres to deliver projects and events	Based on the most recent information available, Subject Centres delivered 498 events and 239 projects during 2007-2008. They visited 388 departments and hold 2,244 key contacts.
Working research observatories	The pilot research observatory was showcased at the Annual Conference in 2008. Although progress has been a little slower than anticipated, we now have materials in preparation for the repository element of the observatory and have a thorough dissemination and promotion plan in place.
Marked improvement in results in the employee communications survey	The third employee communications survey had a lower response rate than the previous two. There were some areas where communications initiatives demonstrated marked improvement (for example on the strategy and on operational issues but other areas where more needs to be done, for example around the level of information received).

**The Higher Education Academy
Financial Statements
For the Year ended 31 July 2008**

Financial Position

Financial Results

The Academy produced an operating surplus of £91,000 in 2007/2008. This was achieved through a combination of achieving better value for money in some areas, through contract review and through a lower than planned activity level in others. Where the latter occurred, this has now been reviewed and appropriate action taken. The surplus will be added to reserves as a recent review has indicated that levels may be low in relation to the reserves policy.

Taxation

The Academy's activities do not fall to be charged to corporation tax.

Treasury Management

The Academy's operations expose it to a variety of financial risks including the effects of changes in interest rates on bank deposits, credit risk and liquidity risk.

The Academy does not have material exposures in any of the areas identified above and, consequently does not use derivative instruments to manage these exposures.

The Academy's principal financial instruments comprise sterling cash and bank deposits together with trade debtors and trade creditors that arise directly from its operations.

The Academy has no significant exposure to securities price risk, as it holds no listed equity investments.

The Academy has no significant exposure to foreign currency risk, as it does not trade overseas.

The Academy's principal financial assets are bank balances, cash, and institutional debtors, which represent the company's maximum exposure to credit risk in relation to financial assets.

The Academy's credit risk is primarily attributable to its institutional debtors. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one institution. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the Academy's management based on prior experience and their assessment of the current economic environment.

Cash flows

The Academy maintained a positive cash flow during the year and anticipates that this will continue next year.

The Academy has no significant exposure to cash flow interest rate risk, as it does not have any loans or interest charging facilities in place.

Liquidity

The Academy has no significant exposure to liquidity risk, as it does not have any loans or asset financing arrangements.

The Higher Education Academy Financial Statements For the Year ended 31 July 2008

Current and Future Development and Performance

Interim evaluation of the Academy

The four funding bodies (HEFCE, SFC, HEFCW and DEL) commissioned independent consultants, Oakleigh Consulting Ltd, to examine the impact of the Academy on learning and teaching and to inform its future development.

The research found that we had achieved positive impact across a number of its key work strands, including:

- discipline-based support offered through the subject network
- national accreditation scheme for development of new and experienced staff
- emerging value of the approach to evidence-based research
- the 'Change Academy' programme.

The research also found a number of areas requiring further development:

- strategic focus - including more effective listening
- approach to relationship management needs to be a core competence
- business strategy that is more sophisticated, and is evaluated
- engagement with individuals and further development of the subject network.

We are using the evaluation findings to inform our future strategy and plans.

Future Developments

During the year we launched its new strategic plan for 2008-2013. This can be downloaded from our website at <http://www.heacademy.ac.uk/aboutus>.

It contains a new vision and mission with five new strategic aims that reflect our increased focus on the student learning experience.

Payment Performance

It is the Academy's policy to obtain the best value for money for its purchases and the best terms for all business and thus there is no single policy as to the Academy's payment terms. Where agreements have been negotiated with suppliers, the Academy endeavours to abide by the specific payment terms.

Post-balance sheet events

There have been no significant post balance sheet events.

Resources

Financial

The Academy has £1.6m of net assets and no debt. We are currently reviewing our reserves policy in order to ensure that we continue to carry a level of reserve that would cover our fixed costs for a period of four to six months.

The Higher Education Academy Financial Statements For the Year ended 31 July 2008

People

We are staffed by about 400 people across our distributed organisation and our responsibilities for people are shared with eighteen host institutions.

We consider good communication with our employees to be very important, and to this end we have established a formal consultative committee, seeking representation from all staff and senior management. We hold monthly staff briefings, to which all staff are invited and we hold a staff 'away day' each year. Employees' performance is aligned to the Academy's objectives through an annual performance review process that is carried out with all employees. Following a communications review, we are also developing more effective ways of communicating across the wider organisation, including the better use of technology and pan-Academy inductions for new staff.

Equal opportunities and employment of disabled persons

We consider all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned and our duty to make reasonable adjustments. Where an existing employee becomes disabled, reasonable adjustments are made to ensure that employment with the Academy continues. Our policy is to provide training, career development and opportunities for promotion that are, as far as possible, identical to those for other employees and to make reasonable adjustments in that regard.

Single Equality Scheme

In February 2008, the Academy introduced a Single Equality Scheme. This can be downloaded from our website at <http://www.heacademy.ac.uk/aboutus>.

We strive to deliver a quality service to the HE sector and to ensure that everyone can participate in our services. To this end, we aim to raise awareness amongst our staff and those working with us and to instigate procedures to ensure that equality and diversity is considered as part of our everyday practice.

We are also committed to achieving diversity and equality amongst our employees. We aim to have a diverse and well motivated workforce where staff are not discriminated against on the basis of age, gender, disability, race, sexual orientation or religion. We aim to ensure staff are treated fairly, equally and with respect.

Part of our work involves supporting higher education institutions to achieve equality amongst their staff and students and helping them to cultivate inclusive cultures, policies and practices that promote and foster equality and diversity.

Reputation

We value our reputation within the higher education sector and are constantly seeking ways to both safeguard and enhance it.

Environment

Our policy with regard to the environment is to ensure that we understand and effectively manage the actual and potential environmental impact of our activities. Our operations are conducted such that we comply with all legal requirements relating to the environment in all areas where we carry out our business. During the period covered by this report we have not incurred any fines or penalties or been investigated for any significant breach of environmental regulations.

**The Higher Education Academy
Financial Statements
For the Year ended 31 July 2008**

Stakeholder relationships

We engage with multiple stakeholders. They include:

- Students
- Funding bodies
- Universities UK and Guild HE (our owners)
- UK governments
- UK higher education institutions and their staff (our subscribers)
- Professional and statutory bodies
- Employers
- Unions
- Centres for Excellence in Teaching and Learning
- Sector Skills Councils
- HEFCE related bodies, such as the Leadership Foundation for Higher Education, the Quality Assurance Agency and the Universities and Colleges Admissions Service as well as the Joint Information Systems Committee
- National Teaching Fellows
- Academy Associate Fellows, Fellows and Senior Fellows
- Our staff

Set out below are a few examples of our engagement over the past year.

UK wide

We worked with the Joint Information Systems Committee (JISC) to engage in a collaborative initiative to support the implementation of HEFCE's e-learning strategy.

We liaise regularly with our owners, UUK and Guild HE, on matters concerning the student learning experience, in particular feeding in views on policy that we have gathered from across the sector.

We are working with the four HEI mission groups - Million Plus, the Russell Group, University Alliance, and the 1994 Group to focus on teaching and learning and the student experience.

We facilitate the Pro-Vice-Chancellors' Network, which includes PVCs, Deputy Principals and their equivalents with responsibilities for teaching, learning, and student support. This provides a forum for senior academic managers to discuss issues of strategic importance and have input into national policy related to the student experience.

Scotland

Scotland's approach is based around a unique partnership between Universities Scotland, the Quality Assurance Agency (QAA) Scotland, the Scottish Funding Council (SFC), the National Union of Students (NUS) Scotland and the Academy. Collectively, these stakeholders form the Higher Education Quality Working Group (HEQWG), which is responsible for the implementation of the Scottish Quality Enhancement Framework. As one of the HEQWG partners, we are represented on all national learning and teaching fora, including the Enhancement Theme steering committees and the Scottish Higher Education Enhancement Committee (SHEEC).

Our relationships with all of the HEQWG partners and other organisations such as the Centre for Recording Achievement (CRA), and sparqs (student participation in quality Scotland) has enabled us to support Scottish institutions and their staff in employability, sustainable development, internationalising the Curriculum, the enhancement themes, quality management and student engagement.

The Higher Education Academy Financial Statements For the Year ended 31 July 2008

As well as a range of sector-wide work, our work in Scotland has supported individual institutions through a range of activities and mechanisms. These include: Institutional partnerships programme (IPP) visits; internal learning and teaching conferences; brokering contacts for universities and providing bespoke consultancy-type services for higher education institutions such as employability, curriculum review, personal development planning (PDP) and Bologna at their request.

NI

We work in partnership with the Department for Employment and Learning (DEL) and the four HEIs in Northern Ireland. During the year, we also met staff from the new regional FE colleges to explore common areas of interest in the provision of higher education in the further education sector.

Towards the end of the year we began work with Queen's University, St Mary's University College and the University of Ulster to develop a pilot project to investigate the concept of recognition for supporting learning and teaching in departments, schools or other groups such as course teams. Two HEIs in Wales, Cardiff and University of Wales Institute Cardiff, are also participating in the project

Wales

We contribute to strategic development in higher education in Wales and have liaised with the Head of Skills Strategy and Policy within the Welsh Assembly Government to help inform policy developments in regard to skills that work for Wales and the skills and employment strategy.

We worked with the Centre for Welsh Medium in Higher Education and responded to a request for the Subject Centres for Law (UKCLE) and Geography and Environmental Sciences (GEES) to comment on the Welsh Medium Development plans for law and Geography and Environmental Sciences. All Subject Centres now have at least one page in Welsh explaining their purpose with a number, such as law having a range of resources accessible through Welsh.

Principal Risks and Uncertainties

The Senior Executive Group reviews strategic risks quarterly and their assessment of these is then considered by the Audit Committee and the Board, given the changing financial context in which the Academy, like any other organisation, operates. A further dimension is the political context within which our risks are located. We work to set an agenda with our major funders but are also aware that they are subject to sets of circumstances which may impact on our plans.

The Academy's major risks are assessed quarterly via a risk register. The Academy has mitigating actions in place for all risks and reviews these plans regularly to ensure that the actions have been implemented. Further work is planned for 2008-2009 to embed risk management into the day to day work of the Academy, alongside the identification of key risks to the delivery of the new strategic plan.

Key risks to the achievement of the Academy's mission identified in the new strategic plan are:

1. Increasing pressures on academics in the other parts of their roles reduces the time available to use evidence to improve their teaching and learning.
2. Professional standards and development for teaching staff are not perceived as a priority by institutions.
3. Conflicting demands on institutions adversely influence the recognition and reward of teaching.
4. There is a reduction in funding for strategic change to the student learning experience that reduces demand for support in this area.

Transparency arrangements

The Academy conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the full Board of the Academy. Full minutes of all meetings

**The Higher Education Academy
Financial Statements
For the Year ended 31 July 2008**

will be available shortly on the Academy's website (www.heacademy.ac.uk) and are also available from the Company Secretary at:

The Higher Education Academy
Innovation Way
York Science Park
Heslington
York
YO10 5BR
United Kingdom

The Company Secretary maintains a register of financial and personal interests of the directors and trustees. The register is available for inspection at the above address.

Directors and Trustees

The Directors and Trustees who served on the Board during the year and up to the date of signature of this report were as listed in Table 1.

Table 1.

	<i>Date of original appointment</i>	<i>Date reappointed</i>	<i>Term of office</i>	<i>Date of resignation</i>	<i>Status of appointment</i>	<i>Committees served</i>
Professor R G Burgess	26 March 2004	15 November 2006	2 years		Universities UK and GuildHE	Chair: Board Nominations, Remuneration Finance and General Purposes Academic Council
Mr G Attle	26 October 2004	14 November 2007	2 years		Co-opted	Chair: Audit
Professor J. Beer	26 March 2004	18 January 2008	2 years		Funding Bodies	Chair: Academic Council Nominations
Professor P. Broadfoot	1 August 2007	N/A	2 years		Universities UK and GuildHE	Audit
Ms R. Bunting	18 January 2008	N/A	2 years		Academic Council – Pro Vice Chancellor	Academic Council Audit
Professor L. J Eales-Reynolds	14 November 2007	N/A	2 years		Academic Council – National Teaching Fellow	Academic Council Nominations
Professor P. Goodhew	26 March 2004	13 November 2007	3 years		Co-opted	Finance and General Purposes
Professor B. King	9 January 2006	13 November 2007	2 years		Universities UK and GuildHE	Remuneration
Professor Sir T. O'Shea	1 January 2008	N/A	1 year*	14 August 2008		Finance and General Purposes
Professor G. Salmon	18 January 2008	N/A	2 years		Academic Council - Fellow	Academic Council Audit
Mr W. Streeting	7 July 2006	N/A	N/A		NUS/NPC	Academic Council
Mr D. Thomas	26 October 2004	15 November 2006	2 years		Co-opted	Remuneration
Professor D. Whittington	18 January 2008	N/A	2 years		Academic Council – Chair of Subject Centre	Academic Council Finance and General Purposes
Professor D. Willcocks	31 October 2005	14 November 2007	2 years		Universities UK and GuildHE	Chair: Finance and General Purposes

*Professor Sir T O'Shea replaced Professor R Trainor until the end of his term of office in November 2008.

Mr M Wilkinson, Company Secretary, acted as Secretary to the Board until 18 May 2008. Ms A. Kennell, Company Secretary, acted as Secretary to the Board from 19 May 2008.

**The Higher Education Academy
Financial Statements
For the Year ended 31 July 2008**

Auditors

A resolution to reappoint Grant Thornton UK LLP as auditors of the Academy will be proposed at the forthcoming AGM.

Professional Advisers

External Auditors:
Grant Thornton UK LLP
No. 1 Whitehall Riverside
Leeds
LS1 4BN

Internal Auditors:
Price Waterhouse Coopers LLP
Benson House
33 Wellington Street
Leeds
LS1 4JP

Bankers:
The Royal Bank of Scotland
York Branch
6 Nessgate
York
North Yorkshire
YO1 9FY

Solicitors:
Beachcroft Wansborough
100 Fetter Lane
London
EC4A 1BN

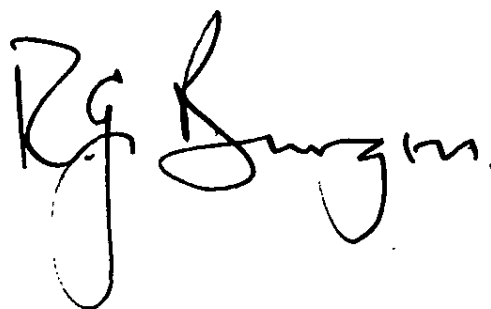
Lupton Fawcett
Yorkshire House
East Parade
Leeds
LS1 5BD

Company number
Registered Charity number

4931031
1101607

Professor R.G. Burgess

Chair

A handwritten signature in black ink, appearing to read 'R.G. Burgess', is written over the printed name and title.

**The Higher Education Academy
Financial Statements
For the Year ended 31 July 2008**

Statement of Corporate Governance and Internal Control

The Academy is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the Academy has applied the principles set out in the revised *Combined Code on Corporate Governance* issued by the London Stock Exchange in July 2003. Its purpose is to help the reader of the accounts understand how the principles have been applied.

The Academy endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership).

In the opinion of the Board, the Academy has been fully compliant with the provisions of the Combined Code throughout the year.

The Board

The composition of the Board is set out on page 8. It is the Board's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Board is provided with regular and timely information on the overall financial performance of the Academy together with other information such as performance against targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Board meets four times per year.

The Board conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Board. These committees are Academic Council, Finance and General Purposes, Remuneration, Nominations and Audit. The decisions of these committees are formally reported to the Board.

All directors/trustees are able to take independent professional advice in furtherance of their duties at the Academy's expense and have access to the Company Secretary, who is responsible to the Board for ensuring compliance with all applicable procedures and regulations. The appointment, evaluation and removal of the Company Secretary are matters for the Board as a whole.

Formal agendas, papers and reports are supplied to directors/trustees in a timely manner, prior to Board meetings. Briefings are also provided on an ad-hoc basis.

The Board has a strong and independent non-executive element and no individual or group dominates its decision making process. The Board considers that each of its non-executive members is independent of management and free from any business or other relationship, which could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chair and Chief Executive are separate.

The Chief Executive is the head of the Academy and has a general responsibility to the Board for the organisation, direction and management of the Academy.

Appointments to the Board

Any new appointments to the Board are a matter for the consideration of the Board as a whole (other than those that are the responsibility of nominating bodies as specified in the Articles of Association). The Board has a nominations committee comprised of four members of the Board, which is responsible for the selection and nomination of any new member for the Board's consideration. The Board is responsible for ensuring that appropriate training is provided as required.

**The Higher Education Academy
Financial Statements
For the Year ended 31 July 2008**

**Statement of Corporate Governance and Internal Control
(continued)**

Members of the Board are appointed for a term of office not exceeding three years and may be reappointed for a second term.

Audit Committee

The Audit Committee comprises four members of the Board (excluding the Chair) and a co-opted member. The Committee operates in accordance with written terms of reference approved by the Board.

The Audit Committee meets three times per year and provides a forum for reporting by the Academy's internal and financial statements auditors, who have access to the Committee for independent discussion, without the presence of Academy management.

The Academy's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee. Management is responsible for the implementation of agreed recommendations and internal audit undertake periodic follow up reviews to ensure that such recommendations have been implemented.

The Audit Committee also advises the Board on the appointment of external auditors and their remuneration for both audit and non-audit work and has delegated authority to appoint internal auditors and set their terms of engagement.

Remuneration Committee

Throughout the year ended 31 July 2008, the Academy's remuneration committee comprised four members of the Board. The committee's responsibilities are to set the remuneration and benefits of the Chief Executive and other senior post-holders.

Internal Control

Scope of responsibility

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

The Board has delegated the day to day responsibility to the Chief Executive for maintaining a sound system of internal control that supports the achievement of the Academy's policies, aims and objectives, whilst safeguarding the funds and assets for which he is responsible. He is also responsible for reporting to the Board any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

A system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The Academy's system of internal control is being developed through processes designed to identify and prioritise the risks to the achievement of Academy policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control is continuously being improved with assistance from the Academy's internal auditors.

Capacity to handle risk

The Board has reviewed the key risks to which the Academy is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. In the opinion of the Board, a formalised process for identifying, evaluating and managing the Academy's significant

**The Higher Education Academy
Financial Statements
For the Year ended 31 July 2008**

**Statement of Corporate Governance and Internal Control
(continued)**

risks has been in place throughout the year and up to the date of approval of the annual report and accounts and a process for identifying, evaluating and managing operational risks has been developed, in conjunction with the Academy's internal audit service.

The risk and control framework

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Board;
- regular reviews by the Board of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines; and
- the adoption of formal project management disciplines, where appropriate.

The Higher Education Academy has an internal audit service, which operates in accordance with the requirements of the Higher Education Funding Council for England Audit Code. The work of the internal audit service has been informed by an analysis of the risks to which the Academy is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Academy's Board on the recommendation of the audit committee. Annually, the Head of Internal Audit (HIA) provides the audit committee with a report on internal audit activity in the Academy. The report includes the HIA's independent opinion on the adequacy and effectiveness of the Academy's system of internal control, risk management controls and governance processes.

Review of effectiveness

The Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control is informed by:

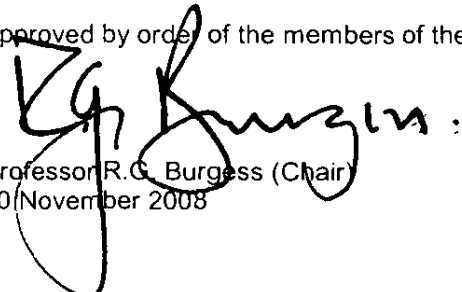
- the work of the internal auditors;
- the work of the executive managers within the Academy who have responsibility for the development and maintenance of the internal control framework;
- comments made by the Academy's financial statements auditors in their management letters.


The Senior Executive Group and the audit committee receive regular reports from internal audit, which include recommendations for improvement. The audit committee's role in this area is confined to a high-level review of the arrangements for internal control.

Going Concern

After making appropriate enquiries, the Board considers that the Academy has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Board and signed on its behalf by:


Professor R.G. Burgess (Chair)
20 November 2008


Professor P. Ramsden (Chief Executive)

**The Higher Education Academy
Financial Statements
For the Year ended 31 July 2008**

Statement of the Directors' and Trustees' Responsibilities

The directors and trustees are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company and charity law requires the directors and trustees respectively to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Academy and of its results for that period.

In preparing those financial statements, the directors and trustees are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the Academy will continue in operation.

The directors and trustees are responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the Academy, and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Academy and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors and Trustees must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, directors and trustees are responsible for securing economical, efficient and effective management of the Academy's resources and expenditure.

The directors are also responsible for ensuring that the Operating and Financial Review is prepared in accordance with company law in the United Kingdom.

Disclosure of information to auditors

At the date of making this report each of the company's directors, as set out on page 8, confirm the following:

- so far as each director is aware, there is no relevant information needed by the Academy's auditors in connection with preparing their report of which the Academy's auditors are unaware, and
- each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant information needed by the Academy's auditors in connection with preparing their report and to establish that the Academy's auditors are aware of that information.

Signed on behalf of the Board


Professor R.G. Burgess
20 November 2008

**The Higher Education Academy
Financial Statements
For the Year ended 31 July 2008**

Independent Auditors' Report to the Board of Directors and Trustees of the Higher Education Academy

We have audited the financial statements of The Higher Education Academy for the year ended 31 July 2008, which comprise the income and expenditure account, the balance sheet, the cash flow statement and notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Board of Directors and Trustees of The Higher Education Academy, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Board those matters we are required to state to them in an auditors' 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 Board as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the governing body and auditors

The directors' and trustees' responsibilities for preparing the Report of the Directors and Trustees and financial statements in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education, applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of the Directors' and Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and the Statement of Recommended Practice - Accounting for Further and Higher Education. We also report to you whether in our opinion the information given in the Report of the Directors and Trustees is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Report of the Directors and Trustees and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Board of Directors and Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**The Higher Education Academy
Financial Statements
For the Year ended 31 July 2008**

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 31 July 2008 and of its surplus for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and the Statement of Recommended Practice - Accounting for Further and Higher Education; and
- the information given in the Report of the Directors and Trustees is consistent with the financial statements.

Grant Thornton UK LLP

Grant Thornton UK LLP

Chartered Accountants and Registered Auditors

Leeds, England

20 November 2008

**The Higher Education Academy
Income and Expenditure Account
Year ended 31 July 2008**

	Notes	2008	2007
		£000	£000
Income			
Funding body grants	2	25,928	24,435
Other income	3	2,705	2,517
Investment income	4	139	166
Total income		28,772	27,118
Expenditure			
Staff costs	5	(4,993)	(4,355)
Subject Centres	7	(12,676)	(12,342)
Other operating expenses	7	(10,769)	(10,347)
Depreciation	9	(238)	(305)
Interest and other finance costs	8	(5)	(4)
Total expenditure		(28,681)	(27,353)
Surplus/(deficit) for the year retained within the Income and Expenditure reserve	20	91	(235)

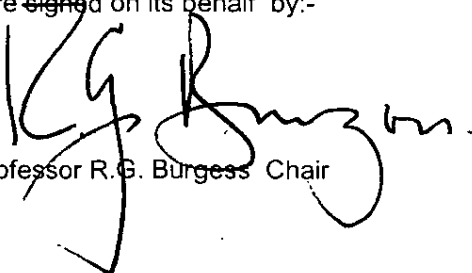
The income and expenditure account is in respect of continuing activities

There were no gains and losses other than those reported in the income and expenditure account.

**The Higher Education Academy
Balance Sheet
As at 31 July 2008**

	Notes	2008 £000	2007 £000
Fixed assets			
Tangible assets	9	<u>263</u>	<u>464</u>
		263	464
Current assets			
Debtors	10	1,735	2,436
Cash at bank and in hand	15	<u>2,887</u>	<u>2,169</u>
		4,622	4,605
Creditors: amounts falling due within one year	11	<u>(3,266)</u>	<u>(3,541)</u>
Net current assets		1,356	1,064
NET ASSETS		<u>1,619</u>	<u>1,528</u>
Reserves			
I & E reserve	20	<u>1,619</u>	<u>1,528</u>
TOTAL RESERVES		<u>1,619</u>	<u>1,528</u>

The financial statements on pages 17 to 32 were approved by the Board on 20 November 2008 and were signed on its behalf by:-


Professor R.G. Burgess Chair

**The Higher Education Academy
Cash Flow statement for
the year ended 31 July 2008**

		£'000	£'000
Net Cash inflow (outflow) from operating activities	12	621	(406)
Returns on investment and servicing of finance	13	134	162
Capital expenditure and financial investment	14	(37)	(89)
Increase/(decrease) in cash in the year	15	<u>718</u>	<u>(333)</u>

Reconciliation of net cash flow to movement in net funds

Increase in cash in the year	15	718	(333)
Change in net debt resulting from cash flows		<u>-</u>	<u>-</u>
Movement in net funds in the period		718	(333)
Net funds at 1 August		2,169	2,502
Net funds at 31 July		<u>2,887</u>	<u>2,169</u>

**The Higher Education Academy
Notes to the financial statements for
the year ended 31 July 2008**

1 Accounting Policies

Statement of accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007, the Companies Act 1985 and in accordance with applicable Accounting Standards.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Recognition of income

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned.

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Income receivable from the funding bodies is recognised in the accounts in the year in which the related expenditure is incurred.

Pension schemes

The Academy participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the Academy is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The contributions are determined by qualified actuaries on the basis of triennial valuations using the projected unit method for the USS.

Tangible fixed assets

Computer equipment costing less than £1,000 is written off to the income and expenditure account in the period of acquisition. All other equipment (excluding computer software and licences) and furniture and fittings is capitalised at cost, where the aggregated or individual costs are £1,000 or more.

All tangible fixed assets are depreciated on a straight line basis over their useful economic life as follows:

Equipment	-	three years;
Computer equipment	-	three years;
Furniture and fittings	-	five years.

**The Higher Education Academy
Notes to the financial statements for
the year ended 31 July 2008**

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Taxation

The Academy is a registered charity within the meaning of schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act 1988 (ICTA 1988).

Accordingly, the Academy is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The Academy receives no similar exemption in respect of Value Added Tax.

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks, building societies and government securities.

Provisions

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

The Higher Education Academy
Notes to the financial statements for
the year ended 31 July 2008

2 Funding body grants

	2008	2007
	£000	£000
Higher Education Funding Council for England	20,250	19,332
Scottish Funding Council	2,066	2,012
Higher Education Funding Council for Wales	892	837
Department for Employment and Learning	337	362
Joint Information System Council (JISC)	1,202	1,470
Department for Innovation, Universities and Skills (formerly Department for Education and Skills)	12	134
Learning and Skills Council	1,169	288
	<u>25,928</u>	<u>24,435</u>

3 Other income

	2008	2007
	£000	£000
Institutional subscriptions	2,124	2,074
Other income	581	443
	<u>2,705</u>	<u>2,517</u>

4 Investment income

	2008	2007
	£000	£000
Interest receivable	139	166
	<u>139</u>	<u>166</u>

The Higher Education Academy
Notes to the financial statements for
the year ended 31 July 2008

5 Staff numbers and costs

The average number of persons (including senior post holders) employed by the Academy during the year, expressed as full time equivalents, was:

	2008	2007
	No.	No.
128 Chief Executive 's office'	3	5
Service Support	41	41
Operational	49	39
Research and Evaluation	12	13
TechDis	8	8
	<u>113</u>	<u>106</u>

	2008	2007
	£000	£000
Staff costs for the above persons:		
Wages and salaries	4,098	3,689
Social security costs	458	261
Pension costs	437	405
Restructuring costs	-	-
	<u>4,993</u>	<u>4,355</u>

Chief Executive	327	413
Service Support	1,297	1,049
Operational	2,466	2,022
Research and Evaluation	541	534
TechDis	362	337
	<u>4,993</u>	<u>4,355</u>

There was no average annual pay award, as all staff, other than senior post holders, received pay awards as a result of performance assessment. Senior post holders also received pay awards that were based on performance assessment; these did not differ from the percentages applied to other staff.

6 Senior post holders

Senior post holders

	2008	2007
	No.	No.
£120,000 to £129,999		1
£130,000 to £139,999	1	
	1	1

2008	2007
£000	£000

Salary	130	124
Benefits in kind	2	1
Pension Contributions	18	17
Total emoluments	<u>150</u>	<u>142</u>

The Board members of the Academy did not receive any payment from the Academy other than reimbursement of travel and subsistence expenses incurred in the course of their duties.

The Higher Education Academy
Notes to the financial statements for
the year ended 31 July 2008

7 Other operating expenses

	2008	2007
	£000	£000
Subject Centre grants	12,676	12,342
Academy operational costs	8,476	7,732
Indirect staff costs	395	496
Rent and rates	371	392
Travel and subsistence	420	456
Postage, printing, stationery and telephone	236	284
Professional fees	324	292
Office equipment and computer maintenance	325	312
General expenses	38	63
Public relations and fund raising	65	133
Recruitment costs	110	189
Bad debt	9	(2)
Loss on disposal of fixed assets	-	-
	<u>23,445</u>	<u>22,689</u>

	2008	2007
	£000	£000
Other operating expenses include:		
Auditors' remuneration		
- External auditors' remuneration in respect of audit services	24	23
- External auditors' remuneration in respect of non-audit services	18	4
- Internal audit	38	36
Hire of buildings – operating leases	<u>307</u>	<u>307</u>

8 Interest and other finance costs

	2008	2007
	£000	£000
Bank charges	<u>5</u>	<u>4</u>
	<u>5</u>	<u>4</u>

The Higher Education Academy
Notes to the financial statements for
the year ended 31 July 2008

9 Tangible fixed assets

	Computer Equipment £000	Equipment £000	Fixtures & Fittings £000	Total £000
Cost or valuation				
Opening balance	521	129	603	1,253
Additions	20	4	13	37
Disposals	(11)	-	-	(11)
At 31 July 2008	530	133	616	1,279
Depreciation				
Opening balance	386	104	299	789
Provision for the period	98	21	119	238
Disposals	(11)	-	-	(11)
At 31 July 2008	473	125	418	1,016
Net book value				
At 31 July 2008	57	8	198	263
Net book value				
At 31 July 2007	135	25	304	464

10 Debtors

	2008	2007
	£000	£000
Amounts falling due within one year:		
Debtors	110	93
Bad debt provision	(9)	-
	101	93
Prepayments	1,068	1,758
Accrued income	566	585
	1,735	2,436

**The Higher Education Academy
Notes to the financial statements for
the year ended 31 July 2008**

11 Creditors: amounts falling due within one year

	2008	2007
	£000	£000
Creditors	343	577
Grant income deferred	1,539	1,711
Other accruals and deferred income	1,384	1,253
	<u>3,266</u>	<u>3,541</u>

12 Reconciliation of consolidated operating surplus to net cash flow from operating activities

	2008	2007
	£000	£000
Surplus/(deficit) for the year	91	(235)
Depreciation (note 9)	238	305
Decrease/(increase) in debtors (note 10)	701	(1,194)
(Decrease)/increase in creditors (note 11)	(275)	880
Interest receivable (note 4)	(139)	(166)
Interest payable (note 8)	5	4
Net cash inflow/(outflow) from operating activities	<u>621</u>	<u>(406)</u>

13 Returns on investments and servicing of finance

	2008	2007
	£000	£000
Other interest received	139	166
Interest paid	(5)	(4)
Net cash inflow from returns on investments and servicing of finance	<u>134</u>	<u>162</u>

**The Higher Education Academy
Notes to the financial statements for
the year ended 31 July 2008**

14 Capital expenditure and financial investment

	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
Purchase of tangible fixed assets	(38)	(89)
Net cash outflow from capital expenditure and financial investment	(38)	(89)

15 Analysis of changes in net funds

	At 1 August 2007 £000	Cash Flow £000	At 31 July 2008 £000
Cash at bank and in hand	2,169	718	2,887
Total	2,169	718	2,887

16 Pensions and similar obligations

The Academy participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P).

The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The appointment of directors to the board of the trustee is determined by the company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

Because of the mutual nature of the scheme, the Academy is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest actuarial valuation of the scheme was at 31 March 2005. The valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.9% per annum (plus an additional allowance for increases in salaries due

The Higher Education Academy Notes to the financial statements for the year ended 31 July 2008

to age and promotion and a further amount of £800m of liabilities to reflect recent experience) and pensions would increase by 2.9% per annum. In relation to the future service liabilities, it was assumed that the valuation rate of interest would be 6.2% per annum, including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum (also plus allowance for increases in salaries due to age and promotion) and pensions would increase by 2.9% per annum.

Standard mortality rates were used as follows:

Pre-retirement mortality	PA92 rated down 3 years
Post-retirement mortality	PA92 (c=2020) for all retired and non-retired members

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further small improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males	19.8 years
Females	22.8 years

At the valuation date, the value of the assets of the scheme was £21,740 million and the value of the past service liabilities was £28,308 million indicating a deficit of £6,568 million. The assets therefore were sufficient to cover 77% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. Using the Minimum Funding Requirement prescribed assumptions introduced by the Pensions Act 1995, the scheme was 126% funded at the valuation date; under the Pensions Protections Fund regulations introduced by the Pensions Act 2004 it was 110% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 74% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, the actuary estimated that the funding level would have been approximately 90%.

Since 31 March 2005, the funding level of the scheme has undergone considerable volatility. The actuary has estimated that the funding level had increased to 91% at 31 March 2007 but that at 31 March 2008 it had fallen back to 77%. This fluctuation in the scheme's funding level is due to a combination of the volatility of the investment returns on the scheme's assets in the period since 31 March 2005 compared to the returns allowed for in the funding assumptions and also the changing gilt yields, which are used to place a value on the scheme's liabilities. These estimated funding levels are based on the funding levels at 31 March 2005 adjusted to reflect the fund's actual investment performance and changes in gilt yields (i.e. the valuation rate of interest). On the FRS17 basis, using a AA bond discount rate of 6% based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%. An estimate of the funding level measured on a buy-out basis was approximately 78%.

The institution contributions rate required for future service benefits alone at the date of valuation was 14.3% of pensionable salaries but the trustee company, on the advice of the actuary, decided to maintain the institution contribution rate at 14% of pensionable salaries.

Surpluses or deficits which arise at future valuations may impact on the Academy's future contribution commitment. USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a bias towards equities through portfolios that are

The Higher Education Academy

Notes to the financial statements for the year ended 31 July 2008

diversified both geographically and by sector. The trustee recognises that it would be possible to select investments producing income flows broadly similar to the estimated liability cash flows.

However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee has agreed to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding to take investment risk relative to the liabilities, the trustee receives advice from its investment consultant and the scheme actuary, and considers the views of the employers. The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

The next formal triennial actuarial valuation is due as at 31 March 2008. The contribution rate will be reviewed as part of each valuation.

The total pension cost for the Academy was £437,672 (2007: £404,909). The contribution rate payable by the Academy was 14% of pensionable salaries.

17 Capital commitments

There were no capital commitments contracted for at 31 July 2008 (2007: nil).

18 Financial commitments

At 31 July 2008 the Higher Education Academy had annual commitments under non-cancellable operating leases as follows:

	2008	2007
	£000	£000
Land and buildings		
Expiring within one year	6	6
Expiring within two and five years inclusive	-	-
Expiring in over five years	301	301
	<u>307</u>	<u>307</u>

The Higher Education Academy
Notes to the financial statements for
the year ended 31 July 2008

19 Related party transactions

Due to the nature of the Academy's operations and the composition of the Board (being drawn from the higher education sector) it is inevitable that transactions will take place with organisations in which a director of the board or a member of the Academy may have an interest. All transactions involving organisations in which a director of the board or a member of the Academy may have an interest are conducted at arms' length.

During the period there were no material transactions (neither income nor expenditure) with organisations with which any director of the Board or member of the Academy may have an interest.

Director/Trustee	Institution	Sales	Purchases	Owed to/(Owed from)
Professor J Beer	Oxford Brookes University	5,044.20	1,125,207.29	329.00
Professor P Broadfoot	University of Gloucester	19,152.29	127,517.00	(7700.00)
Ms R Bunting	University of Portsmouth	25,859.58	42,072.00	0
Professor R.G. Burgess	University of Leicester	18,616.21	124,739.43	0
Professor L-J Eales-Reynolds	University of Portsmouth	25,859.58	42,072.00	0
Professor P Goodhew	University of Liverpool	28,102.95	514,745.00	0
Professor B King	University of Abertay Dundee	6,328.37	6,032.38	0
Professor Sir T O'Shea	University of Edinburgh	34,501.33	172.5	0
Professor G Salmon	University of Leicester	18,616.21	124,739.43	0
Professor R Trainor	Kings College, London	30,932.46	581,637.09	0
Professor D Whittington	Kings College London/University of Newcastle	0	1,104,130.40	(7700.00)
Professor D Willcocks	York St John, University	5,473.92	1,549.00	0

20 Reserves

	I & E reserve £000	Total £000
As at 31 July 2007	1528	1528
Surplus for the period	91	91
At 31 July 2008	<u>1,619</u>	<u>1,619</u>