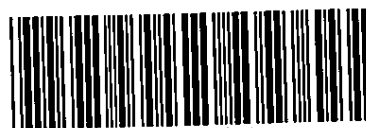


4931031

# **THE HIGHER EDUCATION ACADEMY**

**Report and Financial Statements**  
**Year ended**  
**31 July 2009**

SATURDAY



\*A3AN3FC4\*

A27

28/11/2009

15

COMPANIES HOUSE

<b>Contents</b>	<b>Page(s)</b>
Operating and financial review	3-10
Statement of corporate governance and internal control	11-13
Statement of directors' and trustees' responsibilities	14
Auditors' report	15-16
Income and expenditure account	17
Balance sheet	18
Cash flow statement	19
Reconciliation of net cash flow to movement in net funds	19
Notes	20-32

# **The Higher Education Academy Operating and Financial Review For the year ended 31 July 2009**

## **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 2008-2009 was to help institutions, discipline groups and all staff to provide the best possible learning experience for their students.

### **Implementation of Strategic Plan**

We developed a new strategic plan for 2008-2013. This was the first year of its implementation. Our strategic aims are:

1. Identify, develop and disseminate evidence-informed approaches
2. Broker and encourage the sharing of effective practice
3. Support universities and colleges in bringing about strategic change
4. Inform, influence and interpret policy
5. Raise the status of teaching

Further details about our activities in implementing these aims can be found in the Annual Report 2008-2009 which will be available from the Company Secretary or on our website from January 2010 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

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

# The Higher Education Academy Operating and Financial Review For the year ended 31 July 2009

## Performance indicators

We set a number of performance indicators in our operational plan for 2008-2009. The key ones are listed below, with a brief assessment of what has been achieved;

Key performance indicator	What we have achieved
Growth in the active use of the Academy's research services demonstrated by an increase in use by individual academic staff surveyed in an annual Academy impact survey	We launched our EvidenceNet service in July 2009. As yet, it is too soon to evaluate its impact but we aim to do this during 2009-2010.
Year on year increase in the number of institutions whose CPD frameworks are aligned to the UK professional standards framework.	By the end of 2008-2009, 7 institutions had aligned their CPD frameworks to the UK professional standards framework, representing the start of this process with 4 additional institutions completing this alignment in early 2009/2010.
Improvement in institutions' positive perception of the Academy measured through the institutional partnership programme from 55% in 2006-07 (current baseline) to at least 80% by the end of the planning period.	50 % of institutions who responded to a survey on institutional partnership programme perceptions had a positive perception of the Academy as an open, responsive and effective organisation. This has provided a different baseline with which to monitor our improvement, as the questions were framed differently during the most recent survey. 74% of those who responded expressed satisfaction with the Academy.
Growth in the percentage of academic units (e.g. departments and schools) with a named contact that connects with the Academy - to exceed 80% by the end of the planning period.	During our development of the evaluation and impact framework this year, we recognised that this was not the most effective performance indicator to assess the Academy's reach into academic departments. We will revise this during 2009-2010.
In a survey of stakeholders, an increasing proportion of those surveyed recognise that the Academy has enhanced the impact of national policies on the student learning experience.	This survey has been delayed until Autumn 2009.
Increase in the number of Fellows of the Academy, year on year, of at least 5% per annum from a baseline of 18,000, including an increase of associates by 10% per annum (baseline 500), fellows in HE in FE by 20% per annum (baseline 100) and applications for senior fellowship by 25% per annum (baseline 64).	14% growth in Fellows, 112% growth in Associates and 17% in HE in FE fellows achieved by May 2009. Applications for Senior Fellowship have not yet achieved the growth we anticipated.
Financial stability maintained for the organisation	We have achieved a small growth in reserves and made provision for possible changes following reorganisation. We maintained a positive cash flow. During the year we piloted a value for money approach that we intend to further develop during 2009-2010.
At least 50% of staff identify in the annual staff survey that the Academy demonstrates defined characteristics as an effective, open and responsive organisation by July 2009	61% of staff were satisfied with working for the Academy. 72% felt that at work their opinions counted.

# **The Higher Education Academy Operating and Financial Review For the year ended 31 July 2009**

## **Financial Position**

### **Financial Results**

The Academy produced an operating surplus of £527,000 in 2008/2009 (£91,000: 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. Part of the surplus will be added to the income and expenditure reserve as a recent review has indicated that levels may be low in relation to the reserves policy. The remainder has been designated for the purposes of organisational change.

### **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'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.

## **Current and Future Development and Performance**

### **Future Developments**

We have identified three priority areas for cross Academy activity to enhance the student learning experience during 2009-2010. These are:

- Education for sustainable development
- Student engagement
- Quality enhancement.

At the beginning of October 2009, Professor Paul Ramsden, Chief Executive, announced his retirement at the end of the calendar year. Sean Mackney, Deputy Chief Executive, will act as Chief Executive until a replacement is recruited.

# **The Higher Education Academy Operating and Financial Review For the year ended 31 July 2009**

## **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 £2.1m of net assets and no debt.

### **People**

We employed an average of 114 people during the year. Our Subject Centres employed an average of 220 people during the year, forming part of our wider organisation.

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. We hold a cross Academy 'away day' on a biennial basis. We are developing a new extranet, 'the Gateway', to enable more efficient sharing of resources and to further improve Academy communication.

Employees' performance is aligned to the Academy's objectives through an annual performance review process that is carried out with all employees. During this year, we introduced five capabilities that identify the types of behaviour we expect from our employees. These are: client focus, personal responsibility, working collaboratively, valuing diversity and communication.

### **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.

## **The Higher Education Academy Operating and Financial Review For the year ended 31 July 2009**

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 enhance it, following the findings of our interim evaluation.

### **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.

### **Stakeholder relationships**

We engage with multiple stakeholders. They include:

- Students
- Funding bodies
- Universities UK and GuildHE (our owners)
- UK governments
- UK higher education institutions and their staff (our subscribers)
- Professional and statutory bodies
- Unions, especially the National Union of Students and the Universities and Colleges Union
- 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. Further details may be found in our Annual Report.

### **England**

The Higher Education Funding Council for England's (HEFCE) priorities for the Academy's work with English institutions cover the areas of employer engagement, widening participation and sustainability described above; and support for the HEFCE-funded Centres for Excellence in Teaching and Learning (CETLs) and Fund for the Development of Teaching and Learning programmes. Much of our work in 2008-09 focused on the development of the upcoming *FDTL voices: drawing from learning and teaching projects* report.

### **Scotland**

We responded to two major Scottish Funding Council consultations this year; their 2009-12 Corporate Plan and Learning to Work Two which will provide the strategic framework for the Council's policy on supporting Employability and Skills. Our work with the Scottish Higher Education Employability Network (SHEEN), a joint initiative of the Academy, QAA Scotland, the Scottish Funding Council (SFC) and Universities Scotland has continued and all the collaboration projects are due to be completed shortly.

## **The Higher Education Academy Operating and Financial Review For the year ended 31 July 2009**

### **Northern Ireland**

During the year we ran events and activities for Northern Ireland academics involved in Higher Education in Further Education, while continuing to encourage staff to participate in UK-wide activity. An example of this work is our joint event with JISC Regional Support Centres to assist colleges with bid writing. We have continued to support the CETLs in Northern Ireland and are also working with JISC to support the joint-funded Higher Education Assistive Technology (HEAT) projects which look at using technology to enhance inclusive teaching practices.

### **Wales**

We carried out a review of institutional widening access strategies and the Higher Education Funding Council for Wales (HEFCW)-funded *Reaching Wider* regional partnerships. The review will help to inform discussion for the future development of widening access initiatives by HEFCW and the Welsh Assembly Government. Our collaborative work with the Quality Assurance Agency (QAA) on assessing the relationship between quality assurance and quality enhancement (QA-QE) in Welsh institutions complements a similar project carried out with higher education institutions in England and Northern Ireland in 2008.

We have also worked with JISC TechDis on a major enhancement programme in Wales: the Gwella project. The highlight was the *E for Enhancement* conference on technology-enhanced learning and teaching in higher education at Cardiff University in April 2009.

### **Principal Risks and Uncertainties**

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 2009-2010 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 the Board and Academic Council meetings are available on the Academy's website ([www.heacademy.ac.uk](http://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 Higher Education Academy Operating and Financial Review For the year ended 31 July 2009

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 below.

Table 1

Director/Trustee	Date of original appointment	Date reappointed	Term of office	Date of resignation	Appointing body	Committees served
Professor R G Burgess	26 March 2004	20 November 2008	3 years	N/A	Universities UK and GuildHE	Chair: Board Chair: Governance & Nominations Chair: Remuneration Member: Finance & General Purposes, Academic Council
Mr G Attle	26 October 2004	14 November 2007	2 years	20 November 2008	Board of Directors	Chair: Audit (until 20 November 2008)
Professor J Beer	26 March 2004	18 January 2008	2 years	N/A	Funding bodies	Chair: Academic Council Member: Governance & Nominations
Professor P Broadfoot	1 August 2007	N/A	2 years	22 January 2009	Universities UK and GuildHE	Audit (until 22 January 2009)
Professor K Burnett	6 November 2008	N/A	3 years	N/A	Funding bodies	None
Ms R Bunting	18 January 2008	N/A	2 years	N/A	Board of Directors (drawn from Academic Council)	Academic Council Audit
Professor A J Chapman	23 March 2009	N/A	3 years	N/A	Universities UK and GuildHE	None
Mr G Donnelly	31 March 2009	N/A	2 years	N/A	Board of Directors	Audit
Professor L J Eales Reynolds	14 November 2007	N/A	2 years	N/A	Board of Directors (drawn from Academic Council)	Academic Council Governance & Nominations
Professor P Goodhew	26 March 2004	13 November 2007	3 years	N/A	Board of Directors	Finance and General Purposes
Professor B King	9 January 2006	13 November 2007	2 years	N/A	Universities UK and GuildHE	Chair: Audit (wef 26 February 2009)
Professor Sir T O'Shea	1 January 2008	N/A	1 year	14 August 2008	Funding bodies	Finance & General Purposes
Professor G Salmon	18 January 2008	N/A	2 years	N/A	Board of Directors (drawn from Academic Council)	Academic Council Audit
Mr W Streeting	7 July 2006	N/A	N/A	N/A	NUS co-optee	None
Mr D Thomas	26 October 2004	20 November 2008	1 year	N/A	Board of Directors	Remuneration
Professor D Whittington	18 January 2008	N/A	2 years	N/A	Board of Directors (drawn from Academic Council)	Academic Council Finance & General Purposes
Professor D Willcocks	31 October 2005	20 November 2008	3 years	N/A	Universities UK and GuildHE	Chair: Finance & General Purposes Member: Governance & Nominations, Remuneration

**The Higher Education Academy  
Operating and Financial Review  
For the year ended 31 July 2009**

Ms A. Kennell, Company Secretary, acts as Secretary to the Board.

**Auditors**

A resolution to reappoint Grant Thornton 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

The Co-operative Bank  
4<sup>th</sup> Floor  
9 Prescott Street  
London  
E1 8BE

Solicitors:  
Beachcroft Wansborough  
100 Fetter Lane  
London  
EC4A 1BN

Lupton Fawcett  
Yorkshire House  
East Parade  
Leeds  
LS1 5BD

Company number	4931031
Registered Charity number	1101607

**Professor R.G. Burgess**

**Chair**

**The Higher Education Academy  
Financial Statements  
For the year ended 31 July 2009**

**Statement of Corporate Governance and Internal Control**

The Academy is committed to exhibiting best practice in all aspects of corporate governance, following good practice guidance relevant to its status as a company limited by guarantee and a charity supporting the higher education sector. This summary describes the manner in which the Academy has applied this guidance. 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 on Corporate Governance issued by the London Stock Exchange in July 2003 throughout the year.

**The Board**

The composition of the Board is set out on pages 8-9. 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, Governance and Nominations, Remuneration 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 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. Additional 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. The Board is responsible for the appointment and removal of the Chief Executive.

**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 Governance and Nominations Committee comprised of five members of the Board,

## **The Higher Education Academy Financial Statements For the Year ended 31 July 2009**

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 induction and training is provided.

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

### **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 2009, the Academy's remuneration committee comprised four members of the Board. The committee's responsibilities are to set the remuneration and conditions of service for all senior post holders, including any severance packages, with particular regard for its responsibility to represent the public interest.

### **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.

# **The Higher Education Academy Financial Statements For the Year ended 31 July 2009**

## **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 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:

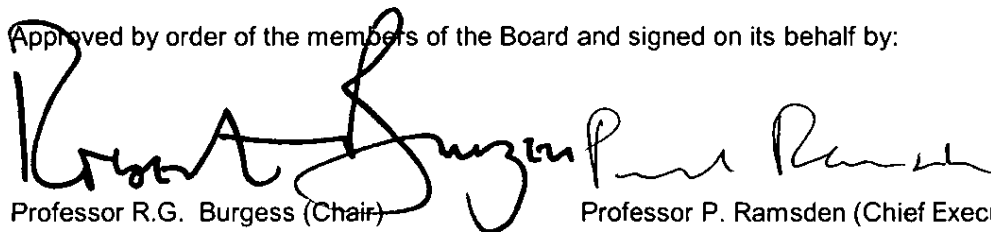
- the work of the internal auditors;
- the work of the executive managers within the Academy who have responsibility for the development and maintenance of the internal control framework;
- comments made by the Academy's financial statements auditors in their management letters.

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)  
18 November 2009

Professor P. Ramsden (Chief Executive)

**The Higher Education Academy  
Financial Statements  
For the Year ended 31 July 2009**

**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 to 2006. 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.

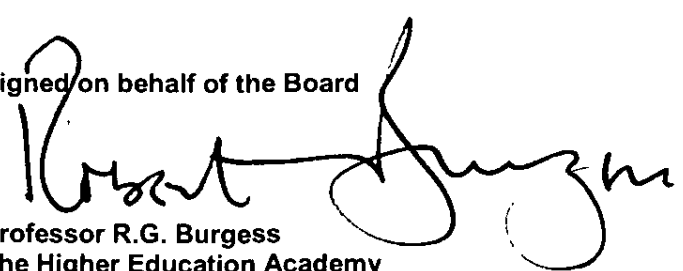
Directors and Trustees must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, directors and trustees are responsible for securing economical, efficient and effective management of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

**Disclosure of information to auditors**

At the date of making this report each of the company's directors, as set out on page 9, 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  
The Higher Education Academy  
Company No. 4931031  
18 November 2009

**The Higher Education Academy  
Financial Statements  
For the Year ended 31 July 2009**

**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 2009, 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 herein.

This report is made solely to the Board of Directors and Trustees of The Higher Education Academy. Our audit work has been undertaken so that we might state to the Board of Directors and Trustees 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 Higher Education Academy and the Board of Directors and Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the Board of Directors and Trustees and Auditors**

The Board of Directors and Trustees' responsibility for preparing the financial statements in accordance with the 2007 Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice - Accounting for Further and Higher Education, applicable United Kingdom law and accounting standards is set out in the Statement of Responsibilities of the Board of Directors and Trustees.

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 2007 Statement of Recommended Practice - Accounting for Further and Higher Education. We also report to you whether in our opinion, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the Academy, have been properly applied in all material respects for the purposes for which they were received, and whether income has been applied in all material respects in accordance with the Academy's statutes and where appropriate in accordance with the funding agreement with the Higher Education Funding Council for England.

We also report to you if, in our opinion, the Report of the Board of Directors and Trustees is not consistent with the financial statements, if the Academy has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Report of the Board of Directors and Trustees. Our responsibilities do not extend to any other information.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. 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 Academy in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Academy's circumstances, consistently applied and adequately disclosed.

**The Higher Education Academy  
Financial Statements  
For the Year ended 31 July 2009**

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.

**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 Academy as at 31 July 2009 and of its surplus for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education;
- In all material respects, income from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the Academy during the year ended 31 July 2009 have been applied only for the purposes for which they were received;
- In all material respects, income during the year ended 31 July 2009 has been applied in accordance with the Academy's statutes and where appropriate in accordance with the funding agreement with the Higher Education Funding Council for England dated 1 August 2005.



Graham Nunns  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountant  
Leeds, England  
18 November 2009



**The Higher Education Academy  
Income and Expenditure Account  
Year ended 31 July 2009**

	Notes	2009	2008
		£000	£000
<b>Income</b>			
Funding body grants	2	24,376	25,928
Other income	3	2,735	2,705
Investment income	4	41	139
<b>Total income</b>		<b>27,152</b>	<b>28,772</b>
<b>Expenditure</b>			
Staff costs	5	(4,960)	(4,993)
Subject Centres	7	(13,018)	(12,676)
Other operating expenses	7	(8,469)	(10,769)
Depreciation	9	(174)	(238)
Interest and other finance costs	8	(4)	(5)
<b>Total expenditure</b>		<b>(26,625)</b>	<b>(28,681)</b>
<b>Surplus for the year</b>	19	<b>527</b>	<b>91</b>

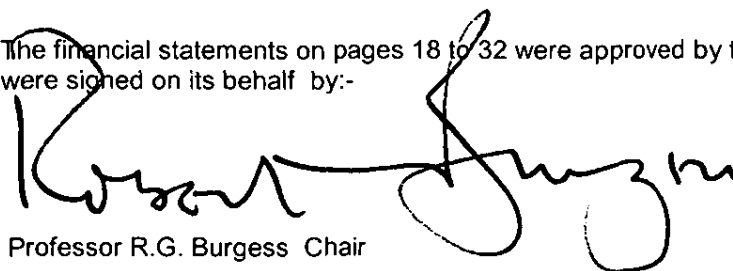
The income and expenditure account is in respect of continuing activities

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 2009**

	Notes	2009 £000	2008 £000
<b>Fixed assets</b>			
Tangible assets	9	<u>188</u>	<u>263</u>
		<b>188</b>	<b>263</b>
<b>Current assets</b>			
Debtors	10	3,216	1,735
Cash at bank and in hand	15	<u>2,394</u>	<u>2,887</u>
		5,610	4,622
<b>Creditors: amounts falling due within one year</b>	11	<u>(3,652)</u>	<u>(3,266)</u>
<b>Net current assets</b>		<u>1,958</u>	<u>1,356</u>
<b>NET ASSETS</b>		<u><u>2,146</u></u>	<u><u>1,619</u></u>
<b>Reserves</b>			
Income and Expenditure reserve	19	1,789	1,619
Designated Reserve	19	<u>357</u>	<u>-</u>
<b>TOTAL RESERVES</b>		<u><u>2,146</u></u>	<u><u>1,619</u></u>

The financial statements on pages 18 to 32 were approved by the Board on 18 November 2009 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 2009**

	Notes	2009	2008
		£'000	£'000
<b>Net Cash (outflow)/inflow from operating activities</b>	12	( 430)	621
Returns on investment and servicing of finance	13	37	134
Capital expenditure and financial investment	14	( 100)	(37)
<b>Increase/(decrease) in cash in the year</b>	15	<u>(493)</u>	<u>718</u>
<b>Reconciliation of net cash flow to movement in net funds</b>			
(Decrease)/increase in cash in the year	15	(493)	718
Change in net debt resulting from cash flows		<u>-</u>	<u>-</u>
<b>Movement in net funds in the period</b>		(493)	718
<b>Net funds at 1 August</b>		2,887	2,169
<b>Net funds at 31 July</b>		<u>2,394</u>	<u>2,887</u>

**The Higher Education Academy  
Notes to the financial statements for  
the year ended 31 July 2009**

## **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.

**The Higher Education Academy  
Notes to the financial statements for  
the year ended 31 July 2009**

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.

***Leased assets***

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

***Taxation***

The Academy is an exempt 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.

***Reserves***

The Academy established a designated reserve where reserves are earmarked for a particular purpose.

**The Higher Education Academy  
Notes to the financial statements for  
the year ended 31 July 2009**

**2 Funding body grants**

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Higher Education Funding Council for England	19,875	20,250
Scottish Funding Council	2,137	2,066
Higher Education Funding Council for Wales	946	892
Department for Employment and Learning	355	337
Joint Information System Council (JISC)	885	1,202
Department for Innovation, Universities and Skills (formerly Department for Education and Skills)	28	12
Learning and Skills Council	150	1,169
	<u>24,376</u>	<u>25,928</u>

**3 Other income**

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Institutional subscriptions	2,186	2,124
Other income	549	581
	<u>2,735</u>	<u>2,705</u>

**4 Investment income**

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Interest receivable	41	139
	<u>41</u>	<u>139</u>

**The Higher Education Academy  
Notes to the financial statements for  
the year ended 31 July 2009**

**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:

	2009	2008
	No.	No.
Evidence Informed Practice	18	21
Sharing Effective Practice	27	26
Institutional Strategy & Change	25	26
Informing Policy	14	13
Raising the Status of Teaching	20	19
TechDis	10	8
	<u>114</u>	<u>113</u>

	2009	2008
	£000	£000
Staff costs for the above persons:		
Wages and salaries	4,183	4,098
Social security costs	311	458
Pension costs	466	437
	<u>4,960</u>	<u>4,993</u>

Staff costs by strategic aim		
Evidence Informed Practice	669	792
Sharing Effective Practice	1,274	1,218
Institutional Strategy & Change	1,135	1,216
Informing Policy	756	717
Raising the Status of Teaching	717	688
TechDis	409	362
	<u>4,960</u>	<u>4,993</u>

There was no average annual pay award for 2008/09, 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.

**The Higher Education Academy  
Notes to the financial statements for  
the year ended 31 July 2009**

**6 Senior post holders**

The number of higher paid post-holders who received emoluments, excluding pension contributions and benefits in kind in the following ranges was;

<b>Senior post holders</b>	
	<b>2009</b>
	<b>No.</b>
	<b>2008</b>
	<b>No.</b>
£120,000 to £129,999	-
£130,000 to £139,999	1
	1
	1

**Emoluments of the Chief Executive**

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Salary	139	130
Benefits in kind	12	2
Pension Contributions	19	18
Total emoluments	170	150

The pension contributions in respect of the Chief Executive are in respect of employer's contributions to the USS pension scheme and are paid at the same rate as for other employees.

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 2009**

**7 Other operating expenses**

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Subject Centre grants	13,018	12,676
Academy operational costs	6,311	8,476
Indirect staff costs	372	395
Rent and rates	405	371
Travel and subsistence	411	420
Postage, printing, stationery and telephone	197	236
Professional fees	178	324
Office equipment and computer maintenance	429	325
General expenses	46	38
Public relations and fund raising	63	65
Recruitment costs	53	110
Bad debt	3	9
Loss on disposal of fixed assets	1	-
	<u>21,487</u>	<u>23,445</u>

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Other operating expenses include:		
Auditors' remuneration		
- External auditors' remuneration in respect of audit services	28	24
- External auditors' remuneration in respect of non-audit services	6	18
- internal audit	43	38
Hire of buildings – operating leases	<u>307</u>	<u>307</u>

**The Higher Education Academy  
Notes to the financial statements for  
the year ended 31 July 2009**

**8 Interest and other finance costs**

	2009	2008
	£000	£000
Bank charges	4	5
	<u>4</u>	<u>5</u>

**9 Tangible fixed assets**

	Computer Equipment £000	Equipment £000	Fixtures & Fittings £000	Total £000
<b>Cost or valuation</b>				
Opening balance	530	133	616	1,279
Additions	98	0	2	100
Disposals	(117)	(14)	(15)	(146)
At 31 July 2009	<u>511</u>	<u>119</u>	<u>603</u>	<u>1,233</u>
<b>Depreciation</b>				
Opening balance	473	125	418	1,016
Provision for the period	51	6	117	174
Disposals	(117)	(14)	(14)	(145)
At 31 July 2009	<u>407</u>	<u>117</u>	<u>521</u>	<u>1,045</u>
<b>Net book value</b>				
At 31 July 2009	<u>104</u>	<u>2</u>	<u>82</u>	<u>188</u>
<b>Net book value</b>				
At 31 July 2008	<u>57</u>	<u>8</u>	<u>198</u>	<u>263</u>

**10 Debtors**

	2009	2008
	£000	£000
Amounts falling due within one year:		
Debtors	151	110
Bad debt provision	(11)	(9)
	<u>140</u>	<u>101</u>
Prepayments	1,974	1,067
Accrued income	1,102	567
	<u>3,216</u>	<u>1,735</u>

**The Higher Education Academy**  
**Notes to the financial statements for**  
**the year ended 31 July 2009**

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

	2009	2008
	£000	£000
Creditors	318	343
Grant income deferred	2,270	1,539
Other accruals and deferred income	1,064	1,384
	<u>3,652</u>	<u>3,266</u>

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

	2009	2008
	£000	£000
<b>Surplus for the year</b>	527	91
Depreciation (note 9)	174	238
(Increase)/decrease in debtors (note 10)	(1,481)	702
Decrease/(increase) in creditors (note 11)	386	(275)
Interest receivable (note 4)	(41)	(139)
Interest payable (note 8)	4	5
(Loss) on disposal of assets	1	-
Net cash (outflow)/inflow from operating activities	<u>(430)</u>	<u>622</u>

**13 Returns on investments and servicing of finance**

	2009	2008
	£000	£000
Other interest received	41	139
Interest paid	(4)	(5)
Net cash inflow from returns on investments and servicing of finance	<u>37</u>	<u>134</u>

**The Higher Education Academy  
Notes to the financial statements for  
the year ended 31 July 2009**

**14 Capital expenditure and financial investment**

	Year ended 31 July 2009  £000	Year ended 31 July 2008 £000
Purchase of tangible fixed assets	(100)	(38)
Net cash outflow from capital expenditure and financial investment	<u>(100)</u>	<u>(38)</u>

**15 Analysis of changes in net funds**

	At 1 August 2008 £000	Cash Flow  £000	At 31 July 2009 £000
Cash at bank and in hand	2,887	(493)	2,394
Total	<u>2,887</u>	<u>(493)</u>	<u>2,394</u>

**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 2008. This valuation was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions.

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. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-

# The Higher Education Academy

## Notes to the financial statements for the year ended 31 July 2009

implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic Scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

Standard mortality rates were used as follows:

Male members' mortality	PA92 MC YoB tables - rated down 1 year
Female members' mortality	PA92 MC YoB tables – no age rating

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 (females) currently aged 65	22.8 (24.8) years
Males (females) currently aged 45	24.0 (25.9) years

At the valuation date, the value of the assets of the scheme was £28,842 million and the value of the scheme's technical provisions was £28,135 million indicating a surplus of £707 million. The assets therefore were sufficient to cover 103% 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. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pensions Protections Fund regulations introduced by the Pensions Act 2004 the scheme was 107% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% 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, using a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to the past service liabilities and funding levels, but it also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset out performance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. There is currently uncertainty in the sector regarding pay growth. Analysis has shown very variable levels of growth over time and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

The institution contributions rate required for future service benefits alone at the date of valuation was 16% of pensionable salaries but the trustee company, on the advice of the actuary, agreed to increase the institution contributions rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008, global investment markets have continued to fall and at 31 March 2009 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 74%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the year and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

# The Higher Education Academy

## Notes to the financial statements for the year ended 31 July 2009

On the FRS17 basis, using an AA bond discount rate of 7.1% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2009 was 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 46%.

Surpluses or deficits which arise at future valuations may impact on the Academy's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the schemes liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Valuation rate of interest	Increase/decrease by 0.5%	Decrease/Increase by £2.2 billion
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £1.5 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.7 billion
Rate of mortality	More prudent assumption (move to long cohort future improvements from the medium cohort adopted at the valuation)	Increase by £1.6 billion

USS is a "last man standing" scheme so that in the event of the insolvency of any part 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 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 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

At 31 March 2009, USS had over 130,000 active members and the Academy had 106 active members participating in the scheme.

The total pension cost for the Academy was £465,950 (2008: £437,672). The contribution rate payable by the Academy was 14% of pensionable salaries. The employee contribution was 6.35% of pensionable salaries.

**The Higher Education Academy**  
**Notes to the financial statements for**  
**the year ended 31 July 2009**

**17 Capital commitments**

There were no capital commitments contracted for at 31 July 2009 (2008: nil).

**18 Financial commitments**

At 31 July 2009 the Higher Education Academy had annual commitments under non-cancellable operating leases as follows:

	2009	2008
	£000	£000
<b>Land and buildings</b>		
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>

**19 Reserves**

	Designated reserve £000	Income and expenditure reserve £000	Total £000
As at 1 August 2008	-	1,619	1,619
Surplus for the period	-	527	527
Transfer to designated reserve	357	(357)	-
At 31 July 2009	<u>357</u>	<u>1,789</u>	<u>2,146</u>

The designated part of our reserves was established for the purposes of organisational change.

**20 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	823	1,163,909	328
Professor P Broadfoot	University of Gloucester	10,932	68,372	(10,932)
Professor R Bunting	Portsmouth University	25,058	8,000	

**The Higher Education Academy  
Notes to the financial statements for  
the year ended 31 July 2009**

<b>Director/Trustee</b>	<b>Institution</b>	<b>Sales</b>	<b>Purchases</b>	<b>Owed to/(Owed from)</b>
Professor R.G. Burgess	University of Leicester	16,362	79,393	
Professor L-J Eales-Reynolds	Portsmouth University/ Westminster University	24,680	30,500	450
Professor P Goodhew	University of Liverpool	30,297	1,191,728	
Professor B King	University of Abertay Dundee	6,499	1,777	
Professor Sir T O'Shea	University of Edinburgh	36,062	7,426	
Professor G Salmon	University of Leicester	16,362	79,393	
Professor A J Chapman	University of Wales Institute Cardiff	10,932	91,889	
Professor D Whittington	Kings College London/University of Newcastle	68,461	1,383,169	
Professor D Willcocks	York St John, University	4332	10,000	
Professor K Burnett	University of Sheffield	28,956	13,184	