

THE HIGHER EDUCATION ACADEMY

Report and Financial Statements Year ended 31 July 2010



Company number 4931031
Registered Charity number 1101607

Contents	Page(s)
Operating and financial review	3-15
Statement of corporate governance and internal control	16-19
Statement of directors' and trustees' responsibilities	20
Auditors' report	21-22
Income and expenditure account	23
Balance sheet	24
Cash flow statement	25
Reconciliation of net cash flow to movement in net funds	25
Notes	26-38

The Higher Education Academy Operating and Financial Review For the year ended 31 July 2010

Nature, Objectives and Strategies

Legal Status and Purpose

The Academy was incorporated as a company limited by guarantee on 14 October 2003. The Academy was established to promote higher education for the public benefit by

- 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 2009-2010 was to support the sector in providing the best possible learning experience for all students

Implementation of Strategic Plan

We continued progress towards implementing our strategic plan (2008-2013) during this year. 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

The Academy's annual report 2009-2010 will be available from the Company Secretary or on our website from December 2010

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 lower surplus than originally planned

The Higher Education Academy Operating and Financial Review For the year ended 31 July 2010

Performance indicators

We set a number of performance indicators in its operational plan for 2009-2010. 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	<ul style="list-style-type: none"> EvidenceNet's audience are based within higher education institutions according to robust web-statistics. The EvidenceNet wiki, which highlights current research into specific topics is now receiving over 700 visits per month. Postgraduate Taught Experience Survey (PTES) - A rise in the number of participating institutions. 76 took part in 2010 compared with 30 in 2009. The number of students completing the survey increased to 32,000 from 14,000 in 2009. Postgraduate Research Experience Survey (PRES) - During the enhancement year two workshops were held with a total of 101 delegates. These events focused on issues emerging from the survey data: employability and intellectual climate. The Surveys for Enhancement conference was held in May 2010 with 85 delegates from higher education institutions. This explored issues relating to the use of student surveys within the context of a university. An National Student Survey (NSS) workshop was held for Scottish institutions in April 2010 with 45 delegates from 20 HEIs. The Centre for Excellence in Teaching and Learning (CETLs) conference which provided an opportunity for CETLs to disseminate their research was held in May 2010. This was attended by 120 colleagues from a range of institutions. 69% of the delegates suggested that they would use EvidenceNet in future to preserve their resources once the CETL initiative has come to a close. A number of CETLs have already added their resources to EvidenceNet. This process will continue throughout 2010-11. <p>EvidenceNet, PTES and PRES have had increases in their institutional engagement over the last financial year. The NSS workshop was a new area specifically focusing on Scotland for 2009/10 and further work will continue into 2010/11. Work supporting CETLs is decreasing within 2010/11 with the focus transferred to gathering resources from CETLs now that the funding period has come to a close.</p>
Year on year increase in the number of institutions whose CPD frameworks are aligned to the UK professional standards framework	<p>At the 31 July 2010 the total accredited provision was 357 across 136 institutions and in relation to CPD,</p> <ul style="list-style-type: none"> 2008/09 – 6 institutions gained accreditation for their CPD frameworks 2009/10 – 14 institutions gained accreditation for their CPD frameworks with additional institutions

**The Higher Education Academy
Operating and Financial Review
For the year ended 31 July 2010**

	<p>being supported to develop their CPD schemes and have not yet completed accreditation within the 2009/10 financial year</p> <ul style="list-style-type: none"> • This reflects a 133% increase between 2008/9 and 2009/10. The Academy support provided to institutions continues into 2010/11 to assist institutions in developing their CPD frameworks and already 36 institutions have expressed an interest in developing their frameworks within the next financial year • This is the second year of accreditation of CPD frameworks and this work is on track to increase for 2010/11
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 2008-2013	<ul style="list-style-type: none"> • 55% of Higher Education Institutional Contacts responded to the 2009/10 Institutional Partnership Programme (IPP) perceptions survey <ul style="list-style-type: none"> • 58% of those who responded expressed overall satisfaction with the Academy, • 76% felt that having a named, personal contact was the most valuable aspect of the IPP, • 78% agreed that the Annual Institutional reports provide a useful summary of the level of engagement between their HEI and the Academy, • 79% felt that Academy Connect (bi-monthly newsletter) signposted them to relevant Academy resources, services, events and networks • 83% of those who responded to the Change Academy feedback survey felt that their institution would benefit from their participation • 74% felt that Change Academy represents good value for money, • 93% recorded how well Change Academy worked for their team (in terms of changing their thinking about institutional change, improving team dynamics and helping them to identify practical actions). This is the first year for this survey
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 2008-2013	<ul style="list-style-type: none"> • The Academy has 2,800 named contacts at academic departments which reflects a 1 in 64 academic staff in relation to 08/09 HESA statistics • Visitors to the Academy's web site have increased to an average of 53,000 per month between Aug - Jan and 65,000 between Feb and August • 4,750 HEI staff are representatives on 211 Academy committees/networks/SIGs/working groups
An increasing number of requests for Academy contributions to policy formulation and implementation	<ul style="list-style-type: none"> • The Academy has contributed to the government and sector-level learning and teaching policy agenda. Examples of key achievements include

**The Higher Education Academy
Operating and Financial Review
For the year ended 31 July 2010**

	<ul style="list-style-type: none"> ▪ BIS post-graduate review – Following a formal response to the consultation the Academy's post-graduate surveys were referred to in their final report as a "main source of information" on postgraduate students, with recommendations that the surveys are more widely promoted and expanded to more institutions in the future ▪ HEFCE/DELNI/GuildHE/UUK Future arrangements for quality assurance in England and NI - Key points from our submission have been picked up in the consultation outcomes including quality enhancement, student engagement, public information and information for prospective students ▪ QAA Evaluation of the Academic Infrastructure - The Academy's response is heavily cited in their analysis paper and we have been identified as the key body that should input into guidance on learning and teaching for institutions ▪ SFC Learning to Work 2 - As a result of our engagement with the consultation we have been successful in gaining an additional £150K of funding to support employability in the Scottish sector over the next three years, starting in 2010-11 • Browne Funding review - The Academy was specifically asked to input into the review, and give evidence at the public witness hearings • The Academy is represented on key sector-level committees relating to Teaching and Learning across all of the devolved nations For example <ul style="list-style-type: none"> ▪ The Academy contributed directly to the development of a new HE Strategy for Northern Ireland, represented on DELNI's Project Group as well as chairing the Expert Group on learning and teaching ▪ The Academy is represented on all sector-level committees reviewing aspects of quality, including the overarching Quality in HE Group • The Academy continues to facilitate policy debate For example the PVC Network
<p>Increase in the number of Fellow of the Academy, year on year, of a least 5% per annum from a baseline of 18,000 including an increase of associates by 10% per annum (baseline 500), fellow in HE in FE by 20% per annum (baseline 100) and applications for senior fellowship by 25% per annum (baseline 64)</p>	<p>Increase in no of Fellows year on year of at least 5%</p> <ul style="list-style-type: none"> • 08/09 – 21,382 Fellows • 09/10 – 24,196 Fellows • 13% increase <p>Increase of associates by 10% per annum</p> <ul style="list-style-type: none"> • 08/09 – 1,328 associates • 09/10 – 2,133 associates • 61% increase <p>Fellows in HE in FE increase by 20% per annum</p> <ul style="list-style-type: none"> • 08/09 – 291 • 09/10 – 350

**The Higher Education Academy
Operating and Financial Review
For the year ended 31 July 2010**

	<ul style="list-style-type: none"> • 20% increase Applications for Senior Fellowship • 08/09 – 31 applications received (12 successful) • 09/10 – 21 applications (6 successful) <p>Under review as part of the UK PSF</p>
Financial stability maintained for the organisation	We have achieved planned growth in reserves We maintained a positive cash flow Our value for money approach has been fully embedded within planning and reporting
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 2010	In the recent staff survey 58% of staff were satisfied with working for the Academy representing a 3% drop on 2009 figures However, 82% felt motivated to see the Academy as a whole succeed (4% increase on 2009) 55% were proud to tell people they worked for the Academy (5% increase on 2009) 52% would recommend the Academy as a good place to work (3% increase on 2009) In the context of current uncertainties within the higher education sector and reduced funding going forward, this is accepted

Financial Position

Financial Results

The Academy produced an operating surplus of £319,000 in 2009/2010 (£527,000 in 2008/2009) This was achieved through planned better value for money and contract review Grant funding income increased to £26,660,000 in 2009-2010 (£24,376,000 in 2008/2009) as a result of additional funding for Open Educational Resources and JISC TechDis Specialist Colleges work This is reflected within the increase in operational costs of £8,205,000 in 2009-2010 (£6,311,000 in 2008/2009) 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'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 Higher Education Academy Operating and Financial Review For the year ended 31 July 2010

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.

Reserves

The Academy has examined the requirements for reserves in light of the predominant risks to the organisation, these being uncertainties around subscriber and key funders' income. Accordingly the current target level of four to six months' fixed costs is deemed appropriate to ensure sufficient funds are available to maintain the programme of work in the event of an unexpected loss of income.

Reserves at 31 July 2010 are £2,465,000 (2009: £2,146,000) which is equal to approximately 5.3 months of fixed costs. In the context of the economic circumstances, and the challenging prospects for the higher education sector, the Board believes this position is satisfactory.

Current and Future Development and Performance

Priority areas of cross Academy activity to enhance the student learning experience have continued during 2009-2010. These are:

- Education for sustainable development
- Student engagement
- Quality enhancement

We have identified three areas of focus for Academy activity in 2010-11. These are:

- Better teaching
- Flexible learning
- Graduates with impact

The Academy represents a small, national investment of public and institutional money in improving student learning experiences. Changes to the external political and economic context have and will continue to inform the Academy's future priorities. Reductions in funding to the sector and the likely increase in tuition fees in England and Northern Ireland will focus attention on the quality of teaching and the student experience. The coalition government at Westminster has emphasised the need to find ways of valuing and recognising teaching in higher education.

In response to this the Academy has reviewed its structure and refined its focus. The Board has agreed that during 2010-12 the Academy will implement a re-organisation, reducing overheads and allowing greater flexibility of delivery to the sector.

Professor Craig Mahoney took up the post of Chief Executive in July 2010 after the planned retirement of Professor Paul Ramsden in December 2009.

The Higher Education Academy Operating and Financial Review For the year ended 31 July 2010

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 £2.5m of net assets and no debt.

People

We employed an average of 123 people during the year.

We consider good communication and close working with our employees to be very important. To this end we have made improvements to our staff council and use the chair in key business decisions. This includes recruitment and panels considering voluntary redundancy applications. We seek representation from all staff and senior management. We hold monthly staff briefings, to which all staff are invited. We are fully utilising our 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. This uses performance against objectives and capabilities that identify the types of behaviour we expect from our employees. These are client focus, personal responsibility, working collaboratively, valuing diversity and communication.

Diversity and Single Equality Scheme

We are proactive in making reasonable adjustments (temporary or longer term) for our staff. 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. We offer training to all staff in diversity and ran a number of staff development activities incorporating diversity.

The Academy has a Single Equality Scheme and a regularly reviewed action plan. 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. This is incorporated within our capabilities.

The Higher Education Academy Operating and Financial Review For the year ended 31 July 2010

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

Reputation is secured through effective delivery of a business model that is relevant to the sector. We are seeking to enhance our reputation by developing our work to meet the needs of institutional leaders in the sector, and through a change process to strengthen delivery. This is supported by a review of our programme of relationship management with institutions.

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 Guild HE (our owners)
- Government of the UK and of the devolved nations
- UK higher education institutions and their staff (our subscribers)
- Professional, Statutory and Regulatory Bodies and subject associations
- Unions
- Centres for Excellence in Teaching and Learning
- Sector Skills Councils
- Sector agencies, such as the Leadership Foundation for Higher Education, the Quality Assurance Agency, Foundation Degree Forward, the Universities and Colleges Admissions Service and the Joint Information Systems Committee
- National Teaching Fellows
- Academy Associate Fellows, Fellows and Senior Fellows, our staff

Public Benefit Statement

In addition to the performance indicators previously outlined we have set out below are examples of our engagement and how our activities have delivered public benefit over the past year. The Board considers that the activities, summarised below, provide public benefit in the promotion of higher education.

England

The Academy in England, and across the UK

- supports the higher education sector in England through its UK-wide services, direct work with Higher Education Institutions (HEIs) and close relations with English organisations and groups,
- launched a joint three-year student engagement programme with the National Union of Students (NUS) to support institutions to better engage students in shaping their learning experiences,

The Higher Education Academy Operating and Financial Review For the year ended 31 July 2010

- contributed to the outcome of more than ten national policy reviews across the higher education (HE) sector, including *Higher Ambitions*, the Department of Business, Innovation and Skills' *One step beyond making the most of postgraduate education*, and the Independent review of higher education funding and student finance, led by Lord Browne,
- published its groundbreaking report into the reward and recognition of teaching, produced jointly with the GENIE CETL, which showed that only 73 of the 104 institutions surveyed included teaching performance as part of their promotion criteria,
- supported the release of over 8,500 resources through our joint management of the HEFCE-funded Open Educational Resources programme with the JISC,
- ran a wide range of events and seminars on themes including improving black and minority ethnic student success and attainment, male access and success, developing and embedding inclusive policy and practice, and access and success for all,
- launched our Evidence-informed Quality Improvement Programme (EQUIP) which gave ten HEIs the opportunity to address challenges such as changes to funding models, global competition, and the need to engage with an increasingly diverse body of learners,
- held over 350 workshops, seminars and events, engaging over 10,500 delegates from across the HE sector,
- launched its two-year Teaching International Students (TIS) project, a partnership with the UK Council for International Student Affairs (UKCISA) Just five months after its launch it had engaged with over 230 academics through staff development workshops, and had over 5,700 visitors to its web resources,
- launched the UK-wide Islamic Studies Network, bringing together over 230 academics working in this strategically important area,
- supported discipline communities in implementing institutional change strategies in order to maximise the use of technology to enhance learning, teaching and assessment in the disciplines,
- began work to produce an overarching guide to assessment and feedback updating the well respected "Yellow Box " series We also ran regular special interest groups resulting in outcomes such as the University of Teesside working collaboratively with the Student Union to deliver an assessment and feedback campaign for students,
- engaged in a range of activities in the HE in FE sector including supporting agencies to work together more effectively, ensuring staff in colleges are more aware of CPD opportunities and of current issues and developments which are affecting the sector,
- ran scholarly activity workshops which supported over 100 teachers of higher education courses in further education colleges The workshops gave guidance and practical advice so that HE in FE teachers could develop their pedagogic or disciplinary research,
- ran the 2009 Higher Education Volunteering Awards to celebrate student and staff volunteering in England's higher education institutions

In addition to the UK-wide work above, the Academy carried out work specific to the nations

The Higher Education Academy Operating and Financial Review For the year ended 31 July 2010

In Scotland, the Academy also:

- launched the Scottish Teaching Awards in partnership with eight institutions and the National Union of Students Scotland to recognise university staff that prioritised teaching quality,
- ran a successful series of workshops on topics including quality enhancement and assessment, plagiarism and the National Student Survey (NSS) These were focussed on improving institutional policy and practice,
- The Scottish Higher Education Employability Network (SHEEN) funded several pilot projects including one on third sector work placements This is now a new major sector-wide four year project, having subsequently successfully obtained funding through Scottish Funding Council's (SFC) Horizon Fund

In Northern Ireland (NI), the Academy also:

- chaired a 'Learning Expert Group' (LEG) which contributed to the development of an HE strategy by examining the key theme of learning, and reported its findings and made recommendations to the project group,
- continued to support HE in FE, by encouraging staff in NI to participate in UK-wide activity through our HE in FE newsletter and invitations to UK-wide events,
- continued to support five CETLs in NI through providing advice and support on how to host their resources on the Academy's online EvidenceNet site We helped disseminate learning gained from the CETLs at the UK-wide CETL conference which included contributions from The Centre for Excellence in the Creative and Performing Arts CETL at Queen's University, Belfast

In Wales, the Academy also

- led work to coordinate activity in Wales to enhance specific areas of teaching and learning which will enhance students' learning experiences The chosen themes will meet the priorities set out in the Welsh Assembly Government's 'For our future' strategy,
- through its First Year Student Experience Action Set group, produced a publication, First Year Student Experience Wales A practice guide to support the first year student experience,
- continued its work on the Gwella project, which supports HEFCW's policy, "Enhancing Learning & Teaching Through Technology A Strategy for Higher Education in Wales" All Welsh higher education institutions (11 in total) are now working with the Academy's enhancement programme to enhance their learning and teaching through the use of technology,
- ran a conference on "Improving retention and success", which explored issues of retention and student success from an institutional and learner perspective

Joint Information Systems Committee (JISC) TechDis

(JISC) Techdis is hosted by the Academy and is funded by the JISC Techdis provide an educational advisory service in the UK in the fields of accessibility and inclusion Main activities this year include

- Provided over 18,500 resources to practitioners from a wide range of institutions across the UK by delivering both face to face and online sessions, covering topics such as free and open source accessibility solutions, benchmarking accessibility practice, creating accessible re-usable learning resources

The Higher Education Academy Operating and Financial Review For the year ended 31 July 2010

- Managed the £1.2 million Learning and Skills Council capital programme for the Independent College Sector. This has included providing access to the specially commissioned accessible e-portfolio as part of a shared Service solution that resulted in 100% engagement with the sector.
- Carried out extensive research and user testing to develop *Acumen*, a new web portal, which brings a wealth of useful free resources together in one place and has significant cost saving potential for universities and colleges in their work with businesses.
- Worked closely with the University of Nottingham to help develop Xerte, an online, open source toolkit for developing high quality, accessible learning content, which scooped first prize at the Instructional Management Systems (IMS) Global Learning Impact Awards 2010 in California.
- Launched the inaugural Publisher Lookup Awards at the London Book Fair and produced a range of good practice guides for publishers, library staff and information professionals based upon extensive research into the accessibility of e-book platforms in conjunction with other national organisations, including Royal National Institute for the Blind (RNIB).
- Launched round 4 of the Higher Educational Assistive Technology (HEAT) Scheme and conducted an evaluation of previous rounds, totalling 78 projects. HEAT has impacted directly on an estimated 2,000 students in terms of inclusive practice and evidence shows that nearly two thirds of participants obtained further funding as a result of HEAT support.

Principal Risks and Uncertainties

The Academy's major risks are assessed quarterly via a risk register and detailed in a corporate 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. Risk management has been embedded into the day to day work of the Academy.

In addition, key risks to the achievement of the Academy's mission which are identified in the 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 Board of the Academy. Minutes of Board meetings are available 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.

**The Higher Education Academy
Operating and Financial Review
For the year ended 31 July 2010**

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 Member Academic Council
Professor J Beer	26 March 2004	18 January 2008	2 years	18 November 2009	Funding bodies	Chair Academic Council Member Governance & Nominations
Professor K Burnett	6 November 2008	N/A	3 years	30 June 2010	Funding bodies	None
Ms R Bunting	18 January 2008	18 November 2009	1 year	N/A	Board of Directors (drawn from Academic Council)	Member Academic Council, Audit
Mr A Carey	18 November 2009	N/A	3 years	N/A	Board of Directors	Member Finance and General Purposes, Remuneration
Professor A J Chapman	23 March 2009	N/A	3 years	N/A	Universities UK and GuildHE	Chair Academic Council, member Nominations (wef 18 November 2009)
Mr G Donnelly	31 March 2009	N/A	2 years	N/A	Board of Directors	Member Audit
Professor L J Eales Reynolds	14 November 2007	18 November 2009	1 year	N/A	Board of Directors (drawn from Academic Council)	Member Academic Council, Nominations
Professor P Goodhew	26 March 2004	13 November 2007	3 years	30 June 2010	Board of Directors	Member Finance and General Purposes
Professor J Kay	18 November 2009	N/A	3 years	N/A	Funding Bodies	None
Professor B King	9 January 2006	18 November 2009	3 years	N/A	Universities UK and GuildHE	Chair Audit (wef 26 February 2009), Member Governance & Nominations, Remuneration
Mr A Porter	30 June 2010	N/A	N/A	N/A	NUS co-optee	None
Professor G Salmon	18 January 2008	18 November 2009	1 year	N/A	Board of Directors (drawn from Academic Council)	Member Academic Council, Audit
Mr W Streeting	7 July 2006	N/A	N/A	30 June 2010	NUS co-optee	None
Mr D Thomas	26 October 2004	20 November 2008	1 year	18 November 2009	Board of Directors	Member Remuneration
Professor D Whittington	18 January 2008	18 November 2009	1 year	N/A	Board of Directors (drawn from Academic Council)	Member Academic Council, Finance and 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 2010**

Peter Matthews is co-opted to the audit committee for his independent expertise

Ms A Kennell, Company Secretary, acted as Secretary to the Board until May 2010 Ms J Pither, Company Secretary, acted as a Secretary to the Board from May 2010 until July 2010

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
4th Floor
9 Prescott Street
London
E1 8BE

Solicitors
Beachcroft Wansborough
100 Fetter Lane
London
EC4A 1BN

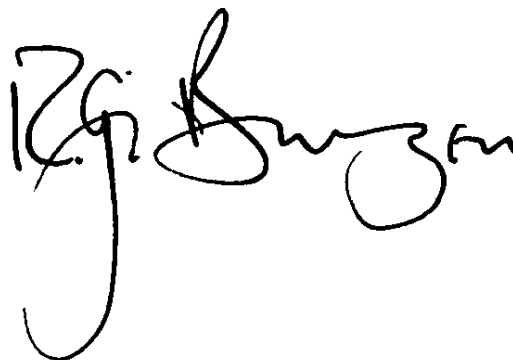
Lupton Fawcett
Yorkshire House
East Parade
Leeds
LS1 5BD

Company number
Registered Charity number

4931031
1101607

Professor Sir R G Burgess

Chair



**The Higher Education Academy
Financial Statements
For the year ended 31 July 2010**

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).

The Academy complies with the principles of the Combined Code on Corporate Governance as appropriate to its legal status and role in the Higher Education Sector.

The Board

The composition of the Board is set out on page 14.

Professor Janet Beer, Professor Keith Burnett, Professor Peter Goodhew and Mr David Thomas, resigned from the Board during the course of the year. In return the Academy welcomed Aaron Porter, successor to Wes Streeting as President of the National Union of Students, Professor Janice Kay (Senior Deputy Vice-Chancellor University of Exeter) and Anthony Carey (Partner at Mazars LLP). The Board continues to be chaired by Professor Sir Bob Burgess, Vice Chancellor at the University of Leicester.

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 Higher Education Academy Financial Statements For the Year ended 31 July 2010

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. On the retirement of Professor Paul Ramsden in December 2009, Professor Craig Mahoney was appointed Chief Executive of the Academy from 1 July 2010.

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, which is responsible for the selection and nomination of any new member for the Board's consideration. The Board ensure that appropriate induction and training is provided for all new Board members. 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 2010, 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 Higher Education Academy Financial Statements For the Year ended 31 July 2010

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 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.

In May the Academy received its annual risk assessment letter from HEFCE, which confirmed the Academy was in the "not at higher risk" category.

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.

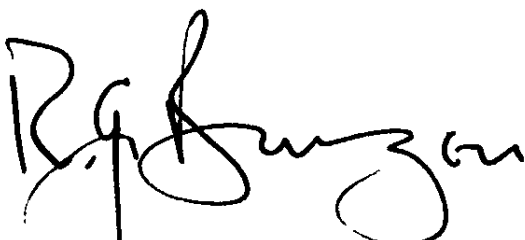
The Executive Team and the audit committee receive regular reports from internal audit, which include recommendations for improvement. The audit committee's role in this area is confined to a high-level review of the arrangements for internal control.

**The Higher Education Academy
Financial Statements
For the Year ended 31 July 2010**

Going Concern

After making appropriate enquiries, receiving confirmation of funding for 2010-2011, prudent budgeting and planned cost efficiencies, the Board considers that the Academy has adequate resources to continue in operational existence for at least 12 months. 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 Sir R G. Burgess (Chair)
23 November 2010



Professor C Mahoney (Chief Executive)

**The Higher Education Academy
Financial Statements
For the Year ended 31 July 2010**

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 adequate 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 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

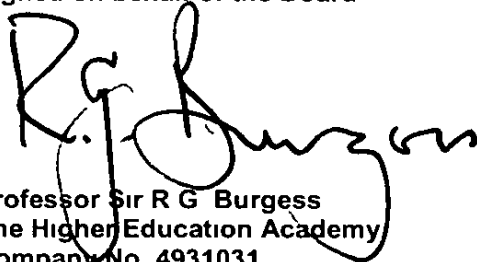
Directors and Trustees must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, directors and trustees are responsible for securing economical, efficient and effective management of 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 14, 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 Sir R G Burgess
The Higher Education Academy
Company No. 4931031
23 November 2010**

**The Higher Education Academy
Financial Statements
For the Year ended 31 July 2010**

Report of the independent auditors to the Board of Directors and Trustees of the Higher Education Academy

We have audited the financial statements (the 'financial statements') of the Higher Education Academy for the year ended 31 July 2010 which comprise of the income and expenditure account, the balance sheet, the cash flow statement and the related notes. 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. Our audit work has been undertaken so that we might state to the governing body those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 governing body's responsibilities for preparing the operating and financial review and the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and the 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 Accounts Direction and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education and have been prepared in accordance with the Companies Act 2006.

We also report to you whether income from funding councils, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received. In addition, we report to you whether, in all material respects, income has been applied in accordance with the statutes and, where appropriate, the financial memorandum with the Higher Education Funding Council for England ('the Funding Council').

We also report to you our opinion as to whether the information given in the operating and financial review is consistent with the financial statements.

In addition we also report to you if, in our opinion, the University has not kept proper accounting records, if the University's financial statements are not in agreement with the accounting records and returns, or if we have not received all the information and explanations we require for our audit.

We read the operating and financial review and the Statement of Corporate Governance and Internal Control and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements.

We are not required to consider whether the statement of internal control (included as part of the Corporate Governance Statement) covers all risks and controls, or to form an opinion on the effectiveness of the institution's corporate governance procedures or its risk and control procedures.

Basis of opinion

We have conducted our audit in accordance with the 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 judgements made by the governing body in preparing the financial statements and whether the accounting policies are appropriate to the Academy's circumstances, consistently applied and adequately disclosed.

We planned and have performed our audit so as to obtain all the information and explanations we considered necessary 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 have 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 2010**

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the Academy as at **31 July 2010** and of the Academy's surplus of income over expenditure for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 2006, the Accounts Direction and the 2007 Statement of Recommended Practice Accounting for Further and Higher Education
- The information given in the operating and financial review is consistent with the financial statements
- in all material respects, income from the Funding Council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2010 have been applied for the purposes for which they were received
- in all material respects, income during the year ended 31 July 2010 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the Funding Council

Graham Nunns
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
LEEDS
23 November 2010

**The Higher Education Academy
Income and Expenditure Account
Year ended 31 July 2010**

	Notes	2010	2009
		£000	£000
Income			
Funding body grants	2	26,660	24,376
Other income	3	2,940	2,735
Investment income	4	44	41
Total income		29,644	27,152
Expenditure			
Staff costs	5	(5,498)	(4,960)
Subject Centres	7	(13,667)	(13,018)
Other operating expenses	7	(10,028)	(8,469)
Depreciation	9	(127)	(174)
Interest and other finance costs	8	(5)	(4)
Total expenditure		(29,325)	(26,625)
Surplus for the year retained within the Income and Expenditure reserve	20	319	527

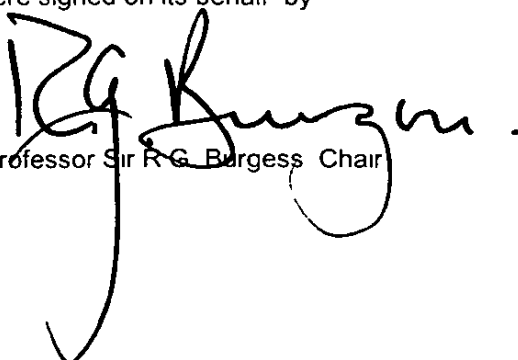
The income and expenditure account is in respect of continuing activities

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 2010**

	Notes	2010 £000	2009 £000
Fixed assets			
Tangible assets	9	<u>122</u>	<u>188</u>
		122	188
Current assets			
Debtors	10	1,551	3,216
Cash at bank and in hand	15	<u>5,168</u>	<u>2,394</u>
		6,719	5,610
Creditors: amounts falling due within one year	11	<u>(4,376)</u>	<u>(3,652)</u>
Net current assets		<u>2,343</u>	<u>1,958</u>
NET ASSETS		2,465	2,146
Reserves			
I & E reserve	20	2,108	1,789
Designated Reserve		357	357
TOTAL RESERVES		2,465	2,146

The financial statements on pages 23 to 38 were approved by the Board on 10 November 2010 and were signed on its behalf by -


Professor Sir R. G. Burgess Chair

**The Higher Education Academy
Cash Flow statement for
the year ended 31 July 2010**

	Notes	2010	2009
		£'000	£'000
Net Cash inflow/(outflow) from operating activities	12	2,796	(430)
Returns on investment and servicing of finance	13	39	37
Capital expenditure and financial investment	14	(61)	(100)
Increase/(decrease) in cash in the year	15	<u><u>2,774</u></u>	<u><u>(493)</u></u>

Reconciliation of net cash flow to movement in net funds

Increase/(decrease) in cash in the year	15	2,774	(493)
Change in net debt resulting from cash flows		<u>-</u>	<u>-</u>
Movement in net funds in the period		2,774	(493)
Net funds at 1 August		<u>2,394</u>	<u>2,887</u>
Net funds at 31 July		<u><u>5,168</u></u>	<u><u>2,394</u></u>

**The Higher Education Academy
Notes to the financial statements for
the year ended 31 July 2010**

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 2006 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 2010**

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 2010

2 Funding body grants

	2010	2009
	£000	£000
Higher Education Funding Council for England	21,253	19,875
Scottish Funding Council	2,189	2,137
Higher Education Funding Council for Wales	950	946
Department for Employment and Learning	355	355
Joint Information System Council (JISC)	895	885
Department for Innovation, Universities and Skills (formerly Department for Education and Skills)	23	28
Learning and Skills Council	995	150
	<u>26,660</u>	<u>24,376</u>

3 Other income

	2010	2009
	£000	£000
Institutional subscriptions	2,186	2,186
Other income	754	549
	<u>2,940</u>	<u>2,735</u>

4 Investment income

	2010	2009
	£000	£000
Interest receivable	44	41
	<u>44</u>	<u>41</u>

The Higher Education Academy
Notes to the financial statements for
the year ended 31 July 2010

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

	2010	2009
	No	No
Evidence Informed Practice	20	18
Sharing Effective Practice	32	27
Institutional Strategy & Change	25	25
Informing Policy	16	14
Raising the Status of Teaching	20	20
Techdis	10	10
	<u>123</u>	<u>114</u>

	2010	2009
	£000	£000
Staff costs for the above persons		
Wages and salaries	4,424	4,183
Social security costs	324	311
Pension costs	750	466
	<u>5,498</u>	<u>4,960</u>

Staff costs by strategic aim		
Evidence Informed Practice	831	669
Sharing Effective Practice	1,546	1,274
Institutional Strategy & Change	1,150	1,135
Informing Policy	813	756
Raising the Status of Teaching	757	717
TechDis	401	409
	<u>5,498</u>	<u>4,960</u>

There was no average annual pay award 2009-2010, 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. Increase employers pension contributions and liabilities have been provided for

**The Higher Education Academy
Notes to the financial statements for
the year ended 31 July 2010**

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,

	Senior post holders	
	2010	2009
	No.	No
£120,000 to £129,999	-	-
£130,000 to £139,999	1	1
	<hr/> 1	<hr/> 1

Emoluments of the Chief Executive

	2010	2009
	£000	£000
Salary	135	139
Benefits in kind	5	12
Pension Contributions	17	19
Total emoluments	<u>157</u>	<u>170</u>

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. During the year Professor Paul Ramsden held the post of Chief Executive until his retirement at 31 December 2009. Sean Mackney, Deputy Chief Executive acted as Chief Executive until 30 June when Professor Craig Mahoney took up the post from the 1 July 2010.

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 2010

7 Other operating expenses

	2010	2009
	£000	£000
Subject Centre grants	13,667	13,018
Academy operational costs	8,205	6,311
Indirect staff costs	224	372
Rent and rates	403	405
Travel and subsistence	348	411
Postage, printing, stationery and telephone	178	197
Professional fees	103	178
Office equipment and computer maintenance	384	429
General expenses	45	46
Public relations and fund raising	22	63
Recruitment costs	103	53
Bad debt	13	3
Loss on disposal of fixed assets	-	1
	<u>23,695</u>	<u>21,487</u>

	2010	2009
	£000	£000
Other operating expenses include		
Auditors' remuneration		
- External auditors' remuneration in respect of audit services	27	28
- External auditors' remuneration in respect of non-audit services	3	6
- internal audit	45	43
Hire of buildings – operating leases	<u>301</u>	<u>307</u>

8 Interest and other finance costs

	2010	2009
	£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 2010**

9 Tangible fixed assets

	Computer Equipment £000	Equipment £000	Fixtures & Fittings £000	Total £000
Cost or valuation				
Opening balance	511	119	603	1,233
Additions	61	-	-	61
Disposals	(68)	(2)	-	(70)
At 31 July 2010	504	117	603	1,224
Depreciation				
Opening balance	407	117	521	1,045
Provision for the period	61	1	65	127
Disposals	(68)	(2)	-	(70)
At 31 July 2010	400	116	586	1,102
Net book value				
At 31 July 2010	104	1	17	122
Net book value				
At 31 July 2009	104	2	82	188

10 Debtors

	2010	2009
	£000	£000
Amounts falling due within one year		
Debtors	243	151
Bad debt provision	(24)	(11)
	219	140
Prepayments	1,316	1,974
Accrued income	16	1,102
	1,551	3,216

**The Higher Education Academy
Notes to the financial statements for
the year ended 31 July 2010**

11 Creditors: amounts falling due within one year

	2010	2009
	£000	£000
Creditors	77	318
Grant income deferred	3,052	2,270
Other accruals and deferred income	1,247	1,064
	<u>4,372</u>	<u>3,652</u>

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

	2010	2009
	£000	£000
Surplus for the year	319	527
Depreciation (note 9)	127	174
Decrease/(increase) in debtors (note 10)	1,665	(1,481)
Decrease/increase in creditors (note 11)	724	386
Interest receivable (note 4)	(44)	(41)
Interest payable (note 8)	5	4
Loss on disposal of assets	-	1
Net cash inflow/(outflow)from operating activities	<u>2,796</u>	<u>(430)</u>

13 Returns on investments and servicing of finance

	2010	2009
	£000	£000
Other interest received	44	41
Interest paid	(5)	(4)
Net cash inflow from returns on investments and servicing of finance	<u>39</u>	<u>37</u>

**The Higher Education Academy
Notes to the financial statements for
the year ended 31 July 2010**

14 Capital expenditure and financial investment

	Year ended 31 July 2010 £000	Year ended 31 July 2009 £000
Purchase of tangible fixed assets	(61)	(100)
Net cash outflow from capital expenditure and financial investment	(61)	(100)

15 Analysis of changes in net funds

	At 1 August 2009 £000	Cash Flow £000	At 31 July 2010 £000
Cash at bank and in hand	2,394	2,774	5,168
Total	2,394	2,774	5,168

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 actuary also carries out a review of the funding level each year between triennial valuations and details of this estimate of funding level at 31 March 2010 are also included in this note.

**The Higher Education Academy
Notes to the financial statements for
the year ended 31 July 2010**

The triennial 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-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 is 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 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 scheme-wide contribution rate required for future service benefits alone at the date of valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, increased the institutional contribution rate to 16% of pensionable salaries from 1 October 2009.

The Higher Education Academy Notes to the financial statements for the year ended 31 July 2010

Since 31 March 2008, global investment markets have continued to fall and at 31 March 2010 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 91% (a deficit of £3,065 million). Compared to the previous 12 months, the funding level has improved from 74% (as at 31 March 2009) to 91%. 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).

On the FRS17 basis, using a AA bond discount rate of 5.6% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2009 was 80%. An estimate of the funding level measured on a buy-out basis at that date was approximately 57%.

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 scheme's liabilities on a technical provisions basis as at the date of the last triennial valuation 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 major exposure to through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically 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 what degree investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, 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 although the trustee is mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above 100%, thereby minimizing the risk of the introduction of deficit contributions. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

**The Higher Education Academy
Notes to the financial statements for
the year ended 31 July 2010**

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 2010, USS had over 135,000 active members and the Academy had 102 active members participating in the scheme.

The total pension cost for the Academy was £530,316 (2009 £465,950). The contribution rate payable by the Academy in 2009-2010 was 16% of pensionable salaries (14% in 2008-2009).

17 Capital commitments

There were no capital commitments contracted for at 31 July 2010 (2009 nil).

18 Financial commitments

At 31 July 2010 the Higher Education Academy had annual commitments under non-cancellable operating leases as follows:

	2010	2009
	£000	£000
Land and buildings		
Expiring within one year	-	6
Expiring within two and five years inclusive	-	-
Expiring in over five years	301	301
	301	307

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	15,990	1,118,443	-
Professor J Kay	University of Exeter	25,950	26,565	(10,395)
Professor R Bunting	Portsmouth University	22,892	10,000	-
Professor R Burgess	University of Leicester	18,355	91,161	-
Professor L-J Eales-Reynolds	Portsmouth Westminster	24,601	40,524	-
Professor P Goodhew	University of Liverpool	28,958	1,115,288	-

**The Higher Education Academy
Notes to the financial statements for
the year ended 31 July 2010**

Director/Trustee	Institution	Sales	Purchases	Owed to/(Owed from)
Professor B King	University of Abertay Dundee	7,044	2,660	-
Professor G Salmon	University of Leicester	18,355	91,161	-
Professor A J Chapman	University of Wales Institute Cardiff	10,967	72,799	-
Professor D Whittington	Kings College London/University of Newcastle	58,510	1,476,688	(1,640)
Professor D Willcocks	York St John, University	4,333	7,707	-
Professor K Burnett	University of Sheffield	26,462	1,000	-

20 Reserves

	Designated Reserve	I & E reserve	Total
	£000	£000	£000
As at 31 July 2009	357	1,789	2,146
Surplus for the period	-	319	319
At 31 July 2010	357	2,108	2,465

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