

# **THE HIGHER EDUCATION ACADEMY**

**Report and Financial Statements  
For the period from  
14 October 2003  
To 31 July 2004**



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**The Higher Education Academy  
Report of the Directors and Trustees  
For the period from 14 October 2003 to 31 July 2004**

**Company**

The Academy was incorporated as a company limited by guarantee on 14 October 2003 with a view to receiving the assets of the Institute for Learning and Teaching in Higher Education, a transfer which occurred on 30 April 2004. The Academy was established for the purpose of:

- providing strategic advice and co-ordination to the higher education sector, government, funding bodies and other 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**

The Academy's mission is:

- The Higher Education Academy will work with the higher education community to enhance all aspects of the student experience.

**Transparency arrangements**

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

The Higher Education Academy  
IT Centre  
York Science Park  
Heslington  
York  
YO10 5DG  
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.

**Finances**

The Academy generated an operating surplus in the period of £77,000.

**Post-balance Sheet Events**

On 13 September 2004, the Chair signed a five year funding agreement with the Higher Education Council for England on behalf of the funding agencies of England, Wales, Scotland and Northern Ireland.

On 13 September 2004, the Chair signed an agreement to lease a new building on the York Science Park for a period of at least 15 years, to be occupied in spring 2005.

**The Higher Education Academy  
Report of the Directors and Trustees  
For the period from 14 October 2003 to 31 July 2004**

**Staff Involvement**

The Academy considers good communication with its staff to be very important, and to this end it is establishing a formal consultative committee, seeking representation from all staff and senior management.

**Taxation**

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

**Employment of Disabled Persons**

The Academy considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the Academy continues. The Academy's policy is to provide training, career development and opportunities for promotion that are, as far as possible, identical to those for other employees.

**Disability Statement**

The Academy seeks to achieve the objectives set down in the Disability Discrimination Act 2000.

**Directors and Trustees**

The Directors and Trustees who served on the Board during the period were as follows:

**Table 1. Directors and Trustees serving on the board during 2003/2004.**

	<i><b>Date of appointment</b></i>	<i><b>Term of office</b></i>	<i><b>Date of resignation</b></i>	<i><b>Status of appointment</b></i>	<i><b>Committees served</b></i>
Professor L. Wagner	14 October 2003 (Interim Board) 26 March 2004	3 years	26 March 2004 (Interim Board)	Universities UK and SCOP	Chair: board chair: remuneration; chair: nominations
Professor J. Beer	26 March 2004-	3 years		Funding Councils	Audit; nominations
Professor R. Brown	14 October 2003 (Interim Board) 26 March 2004	3 years	26 March 2004 (Interim Board)	Universities UK and SCOP	Chair: finance and general purposes
Professor B. Burgess	14 October 2003 (Interim Board) 26 March 2004	3 years	26 March 2004 (Interim Board)	Universities UK and SCOP	Audit
Mr P. Burgess	26 March 2004			Council Pro Tem ILTHE	Audit
Dr L. Elvidge	26 March 2004			Council Pro Tem ILTHE	Nominations
Ms H. Essex	13 July 2004	1 year		NUS/NPC	
Professor P. Goodhew	26 March 2004			Council Pro Tem LTSN	
Professor G. Gordon	26 March 2004			Council Pro Tem LTSN	Remuneration
Professor R. H. Trainor	26 March 2004	3 years		Funding Councils	
Mrs J. Pither, Director of Finance and Administration, acts as Secretary to the Board					

**The Higher Education Academy  
Report of the Directors and Trustees  
For the period from 14 October 2003 to 31 July 2004**

The company secretaries who have acted during the period are as follows:

	<i>Date of appointment</i>	<i>Date of resignation</i>
Beach Secretaries Ltd	14 October 2003	21 November 2003
Mr J.A. Webster	21 November 2003	5 April 2004
Mr M. Wilkinson	5 April 2004	31 July 2004
Mrs J. Pither	31 July 2004	

**Professional Advisers**

**External Auditors:**

RSM Robson Rhodes LLP  
St George House  
40 Great George Street  
Leeds  
LS1 3DQ

**Internal Auditors:**

Uniac  
Manchester Metropolitan University  
All Saints Building  
Manchester  
M15 6BH

**Bankers:**

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

**Solicitors:**

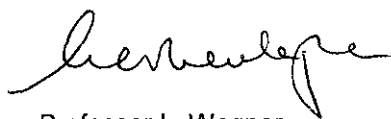
Beachcroft Wansborough  
100 Fetter Lane  
London  
EC4A 1BN

Company number

4931031

Registered Charity number

1101607



Professor L. Wagner

Chair

26 October 2004

# **The Higher Education Academy**

## **Corporate Governance**

The Academy is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the Academy has applied the principles set out in section 1 of the *Combined Code on Corporate Governance* issued by the London Stock Exchange in June 1998.

Its purpose is to help the reader of the accounts understand how the principles have been applied.

With the exception of the full implementation of the Turnbull guidance as noted below under 'internal control', in the opinion of the Board, the Academy complies with all the provisions of the Combined Code in so far as they apply to the Higher Education Sector, and it has complied throughout the period ended 31 July 2004.

### **The Board**

The composition of the Board is set out on page 4. It is the Board's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Board will be 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 finance and general purposes, remuneration, nominations and audit.

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

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

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

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

### **Appointments to the Board**

Any new appointments to the Board are a matter for the consideration of the Board as a whole. The Board has a nominations committee comprised of Professor L. Wagner, Professor J. Beer and Dr L. Elvidge, which is responsible for the selection and nomination of any new member for the Board's consideration. The Board is responsible for ensuring that appropriate training is provided as required.

Members of the Board are appointed for a term of office not exceeding three years.

### **Audit Committee**

The audit committee comprises three members of the Board (excluding the Chair). The committee operates in accordance with written terms of reference approved by the Board.

# **The Higher Education Academy**

## **Corporate Governance**

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

The Academy's internal auditors will 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 will undertake periodic follow up reviews to ensure that such recommendations have been implemented.

The Audit Committee also advises the Board on the appointment of internal and external auditors and their remuneration for both audit and non-audit work.

### **Internal Control**

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.

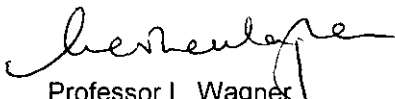
The Board has delegated to the Chief Executive the day-to-day responsibility for reviewing the adequacy of the system of internal financial control and making any appropriate amendments. He is also responsible for reporting to the Board any material weaknesses or breakdowns in internal financial control.

The Board is unable to state that a formalised process for identifying, evaluating and managing the Academy's significant risks has been in place and operational during the period ended 31 July 2004. In the period up to 31 July 2004, the Academy has put in place the procedures that the Board agreed should be established and the Board is of the view that they have been operational from 26 March 2004.

The Board expects to be able to make a full statement on its corporate governance policy, its review of risks and the systems put in place to mitigate those risks in its report for the year to 31 July 2005.

### **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.



Professor L. Wagner  
26 October 2004

## **The Higher Education Academy**

### **Statement of the Directors' and Trustees' Responsibilities**

The directors and trustees are required to present audited financial statements for each financial year.

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

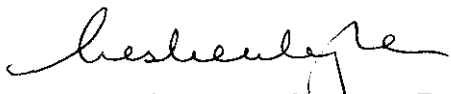
In preparing the financial statements, the directors and trustees are required to:

- 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 it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the Academy and to prevent and detect fraud and other irregularities.

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

The directors are also responsible for ensuring that the Directors' report is prepared in accordance with company law in the United Kingdom.



**Signed on behalf of the Board**

**26 October 2004**

**Professor L. Wagner**



## **The Higher Education Academy**

### **Statement on the System of Internal Financial Control**

As Chief Executive, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by the Higher Education Academy.


The system can provide only reasonable, and not absolute, assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control will be 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 will include:

- 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 recently appointed 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 will be 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 will provide the audit committee with a report on internal audit activity in the Academy. The report will include the HIA's independent opinion on the adequacy and effectiveness of the Academy's system of internal control, risk management controls and governance processes, including internal financial control.

My review of the effectiveness of the system of internal financial control will be informed by the work of the internal auditors, the audit committee which oversees the work of the internal auditor, the executive managers within the Academy who have responsibility for the development and maintenance of the financial control framework, and comments made by the Academy's external auditors in their management letter and other reports.



Paul Ramsden  
Chief Executive

26 October 2004

# **The Higher Education Academy**

## **Report of the independent auditors to the board of directors of The Higher Education Academy**

We have audited the financial statements on pages 12 to 25 which have been prepared under the historical cost convention and in accordance with the accounting policies set out on pages 15 to 16.

This report is made solely to the board of directors, in accordance with Section 124B of the Education Reform Act 1988 and Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the board of directors 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 board of directors, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the board of directors and auditors**

As described on page 8, the board of directors is responsible for preparing the financial statements. Our responsibilities as independent auditors are established by statute, the Auditing Practices Board, the Higher Education Funding Council for England and our profession's ethical guidance.

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 Statement of Recommended Practice on Accounting in Further and Higher Education Institutions and the Companies Act 1985. We also report to you *whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the Academy have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, 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 is not consistent with the financial statements, if the Academy has not kept proper accounting records, the accounting records *do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.*

We read the information contained in the Report of the Board of Directors and consider the *implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.*

### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board and the HEFCE Code of Practice. 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 board of directors 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.

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

# **The Higher Education Academy**

## **Report of the independent auditors to the board of directors of The Higher Education Academy**

### **Opinion**

In our opinion:

i. The financial statements give a true and fair view of the state of affairs of the Academy at 31 July 2004, and of the surplus of income over expenditure, recognised gains and losses and cashflows of the Academy for the period then ended; and the statements have been properly prepared in accordance with the Companies Act 1985 and the Statement of Recommended Practice on Accounting in Higher Education Institutions.

ii. 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 have been applied only for the purposes for which they were received.



**RSM Robson Rhodes LLP**

Chartered Accountants and Registered Auditors  
Leeds

26 October 2004

**The Higher Education Academy  
Income and Expenditure Account  
Period from 14 October 2003 to 31 July 2004**

	Notes	Period from 14 October 2003 to 31 July 2004 £000
<b>Income</b>		
Funding body grants	2	1,677
Other income	3	461
Interest receivable	4	11
<b>Total income</b>		<u>2,149</u>
<b>Expenditure</b>		
Staff costs	5	(606)
Other operating expenses	7	(1,433)
Depreciation	9	(30)
Interest payable and similar charges	8	(3)
<b>Total expenditure</b>		<u>(2,072)</u>
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and disposal of assets.		<u>77</u>
<b>Surplus for the period</b>		<u><u>77</u></u>

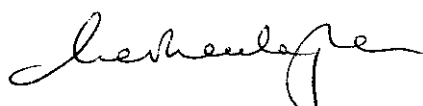
The income and expenditure account is in respect of continuing activities

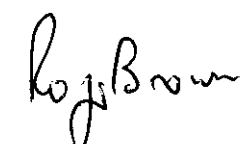
There were no gains and losses other than those reported in the income and expenditure account

**The Higher Education Academy  
Balance Sheet  
As at 31 July 2004**

	Notes	2004 £000
<b>Fixed assets</b>		
Tangible assets	9	171
		<u>171</u>
<b>Current assets</b>		
Debtors	10	397
Cash at bank and in hand	16	2,687
		3,084
Creditors: amounts falling due within one year	11	(3,061)
<b>Net current assets</b>		<u>23</u>
<b>NET ASSETS</b>		<u><u>194</u></u>
<b>Reserves</b>		
Capital reserve	22	117
General reserve	22	77
<b>TOTAL RESERVES</b>		<u><u>194</u></u>

The financial statements on pages 12 to 25 were approved by the Board on 26 October 2004 and were signed on its behalf by:-

  
Professor L. Wagner Chair

  
Professor R. Brown

**The Higher Education Academy  
Cash Flow statement for the period  
From 14 October 2003 to 31 July 2004**

	Notes	Period from 14 October 2003 to 31 July 2004 £000
<b>Cash flow from operating activities</b>	12	2,880
Returns on investment and servicing of finance	13	8
Capital expenditure and financial investment	14	(201)
Cash outflow before use of liquid resources and financing		<u>2,687</u>
Management of liquid resources	15	-
Financing		-
<b>Increase in cash in the period</b>	16	<u><u>2,687</u></u>

**Reconciliation of net cash flow to movement in net funds**

Increase in cash in the period	16	2,687
Cash inflow from liquid resources	15	-
Change in net debt resulting from cash flows		<u>-</u>
<b>Net funds at 31 July</b>		<u><u>2,687</u></u>

**The Higher Education Academy**  
**Notes to the financial statements for the period**  
**From 14 October 2003 to 31 July 2004**

## **1 Statement of Accounting Policies**

### ***Basis of preparation***

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2003, 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 modified by the revaluation of certain fixed assets.

### ***Recognition of income***

Income from renewal of registration fees is recognised over the period to which the membership applies. Income from new members' registration fees is also recognised over the period to which the membership relates.

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***

Retirement benefits to employees of the Academy are provided by the Universities Superannuation Scheme (USS). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme (SERPS). Contributions to the schemes are charged to the income and expenditure account, so as to spread the cost of pensions over employees' working lives with the Academy in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll.

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

### ***Tangible fixed assets***

#### ***Equipment***

Equipment costing less than £500 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

All assets are depreciated 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 period**  
**From 14 October 2003 to 31 July 2004**

***Leased assets***

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

***Taxation***

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

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

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

***Liquid resources***

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

***Provisions***

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



**The Higher Education Academy**  
**Notes to the financial statements for the period**  
**From 14 October 2003 to 31 July 2004**

**2 Funding body grants**

Period from 14  
October 2003 to 31  
July 2004

£000

Higher Education Funding Council for England	1,320
Joint Information Systems Council (JISC)	241
Department for Education and Skills	82
Other grant income	34

1,677

**3 Other Income**

Period from 14  
October 2003 to 31  
July 2004

£000

Registration and accreditation income	434
Bad debt write back	25
Other income	2

461

**4 Interest Receivable**

Period from 14  
October 2003 to 31  
July 2004

£000

Interest receivable	11
	<u>11</u>

**The Higher Education Academy**  
**Notes to the financial statements for the period**  
**From 14 October 2003 to 31 July 2004**

**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:

	No
Finance and Administration directorate	5
Programmes directorate	7
Registration and Accreditation directorate	3
Corporate team	2
	<u>17</u>

The majority of staff transferred to the Academy from the Institute of Learning and Teaching in Higher Education on 30 April 2004. The average staff number for the period since that event is 57.

Staff costs for the above persons:

	£000
Wages and salaries	433
Social security costs	44
Pension costs	45
Restructuring costs	84
	<u>606</u>
Finance and Administration directorate	227
Programmes directorate	229
Registration and Accreditation directorate	108
Corporate team	42
	<u>606</u>

No member of staff, including senior post-holders, the acting Chief Executive and the Chair, received emoluments of more than £50,000 during the period.

The restructuring costs were approved by the Board.

**6 Senior post holders**

Senior post holders are defined as the chief executive and holders of the other senior posts whom the board have selected for the purposes of the articles of government of the Academy.

The number of senior post holders including the acting Chief Executive was 4.

Senior post-holders' emoluments are made up as follows:

	£000
Salaries	59
Benefits in kind	7
Pension Contributions	5
Total emoluments	<u>71</u>

**The Higher Education Academy**  
**Notes to the financial statements for the period**  
**From 14 October 2003 to 31 July 2004**

The benefits in kind relate to relocation expenses incurred on behalf of the Chief Executive, who took up post on 1 August 2004.

The above emoluments include amounts payable to the acting Chief Executive (who is also the highest paid senior post holder) of:

	9 month period from 14 October 2003 to 31 July 2004
	£000
Salary	21
Benefits in kind	-
Pension Contributions	3
Total emoluments	<u>24</u>

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

**Compensation for loss of office paid to former higher paid employees of ILTHE** **£000**

Compensation paid to the former post-holders	82
Estimated value of other benefits, including provisions for pension benefits	<u>2</u>

The estimated value of other benefits has been calculated in accordance with Statement of Standard Accounting Practice 24.

The members of the Academy other than the Chair 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 period**  
**From 14 October 2003 to 31 July 2004**

**7 Other operating expenses**

Period from 14  
October 2003 to  
31 July 2004

£000

Registration and accreditation costs	173
Rent and rates	40
Heat, light and power	9
Travel and subsistence	174
Postage, printing, stationery and telephone	82
Professional fees	117
Project costs	653
Office equipment and computer maintenance	13
General expenses	69
Public relations and fund raising	10
Recruitment costs	93

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1,433

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Period from 14  
October 2003 to  
31 July 2004

£000

Other operating expenses include:

Auditors' remuneration	
-external audit	18
-other services	11
Hire of buildings – operating leases	34

**8 Interest payable and similar charges**

Period from 14  
October 2003 to 31  
July 2004

£000

Bank charges	3
	3

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**The Higher Education Academy**  
**Notes to the financial statements for the period**  
**From 14 October 2003 to 31 July 2004**

**9 Tangible fixed assets**

	Computer Equipment £000	Equipment £000	Fixtures & Fittings £000	Total £000
<b>Cost or valuation</b>				
Transfer at NBV from ILTHE at 30 April 2004	111	17	18	146
Additions	55	-	-	55
Disposals	-	-	-	-
At 31 July 2004	<u>166</u>	<u>17</u>	<u>18</u>	<u>201</u>
<b>Depreciation</b>				
Provision for the period	21	4	5	30
Disposals	-	-	-	-
At 31 July 2004	<u>21</u>	<u>4</u>	<u>5</u>	<u>30</u>
<b>Net book value</b>				
At 31 July 2004	<u>145</u>	<u>13</u>	<u>13</u>	<u>171</u>

**10 Debtors**

	£000
Amounts falling due within one year:	
Debtors	397
Bad debt provision	(144)
	<u>253</u>
Prepayments and accrued income	144
	<u>397</u>

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

	£000
Creditors	503
Payments received in advance	8
Other taxation and social security	49
Membership subscription accruals and deferred income	540
HEFCE grant income deferred	1,309
Project income deferred	563
Other accruals and deferred income	89
	<u>3,061</u>

HEFCE grant income deferred represents grants received for the set up costs and transitional funds of the Academy which will be fully credited to the Income and Expenditure account by 31 July 2005.

**The Higher Education Academy**  
**Notes to the financial statements for the period**  
**From 14 October 2003 to 31 July 2004**

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

	<b>£000</b>
Surplus on continuing operations after depreciation of assets at valuation and tax	77
Surplus transferred from ILTHE	117
Depreciation (note 9)	30
(Increase) in debtors	(397)
Increase in creditors	3,061
Interest receivable (note 4)	(11)
Interest payable (note 8)	3
Net cash inflow from operating activities	<u>2,880</u>

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

	<b>£000</b>
Other interest received	11
Interest paid	(3)
Net cash inflow from returns on investments and servicing of finance	<u>8</u>

**14 Capital expenditure and financial investment**

	<b>£000</b>
Purchase of tangible fixed assets	55
Transfer of tangible fixed assets from ILTHE	146
Net cash outflow from capital expenditure and financial investment	<u>201</u>

**15 Management of liquid resources**

	<b>£000</b>
Withdrawals from deposits	-
Placing of deposits	-
Net cash inflow from management of liquid resources	<u>-</u>

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**16 Analysis of changes in net funds**

	Cash flow £000	Other Changes £000	At 31 July 2004 £000
Cash at bank	2,687	-	2,687
Total	2,687	-	2,687

**17 Pensions and similar obligations**

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

The assets of the scheme are held in a separate trustee administered fund. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme, the cost recognised within the surplus for the period in the income and expenditure account being equal to the contributions payable to the scheme for the period.

The latest actuarial valuation of the scheme was at 31 March 2002. 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) and the rates of increase in salary and pensions. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 5.0% per annum, salary increases would be 3.7% per annum and pensions would increase by 2.7% per annum. In relation to the future service liabilities, it was assumed that the valuation rate of interest would be 6.0% per annum, including an additional investment return assumption of 1.0% per annum, salary increases would be 3.7% per annum and pensions would increase by 2.7% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the value of the assets of the scheme was £19,938 million and the value of the past service liabilities was £19,776 million leaving a surplus of assets of £162 million. The assets therefore were sufficient to cover 101% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.25% of salaries but it was agreed that the institution contribution rate will be maintained at 14% of salaries. To fund this reduction of 0.25% for the period of 12 years from the date of the valuation (the average outstanding working lifetime of the current members of the scheme) required the use of £82.5 million of the surplus. This left a past service surplus of £79.5 million (including the Supplementary Section) to be carried forward.

Surpluses or deficits which arise at future valuations may impact on the Academy's future contribution commitment. The next formal actuarial valuation is due as at 31 March 2005 when the above rates will be reviewed.

The total pension cost for the Academy was £44,268. The contribution rate payable by the institution was 14% of pensionable salaries.

**18 Capital commitments**

There were no capital commitments contracted for at 31 July 2004.

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**19 Financial commitments**

At 31 July 2004 the Higher Education Academy had annual commitments under non-cancellable operating leases as follows:

Land and buildings	£000
Expiring within one year	73
Expiring within two and five years inclusive	-
Expiring in over five years	51
	<u>124</u>

**20 Transfer of the assets of the Institute of Learning and Teaching in Higher Education (ILTHE) as at 30 April 2004**

On 30 April 2004 all the assets and liabilities of the Institute of Learning and Teaching in Higher Education were transferred into the Higher Education Academy, as outlined below:

**BALANCE SHEET**

	£000
<b>FIXED ASSETS</b>	
Tangible fixed assets	146
<b>CURRENT ASSETS</b>	
Debtors	907
Bank and cash	966
	<u>1,873</u>
<b>CREDITORS – amounts due within one year</b>	(1,902)
<b>NET ASSETS</b>	<u>117</u>
Capital reserve	117
<b>TOTAL FUNDS</b>	<u>117</u>

Items totalling £563,000 included as reserves within the balance sheet of the ILTHE have been included as deferred income within creditors within the Higher Education Academy as they relate to project funding for which the expenditure has not yet been incurred.

**21 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



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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.

**22 Reserves**

	<b>Capital reserve</b>	<b>General reserve</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 14 October 2003	-	-	-
Transfer of net assets from ILTHE (note 20)	117	-	117
Surplus for the period	-	77	77
At 31 July 2004	117	77	194