

Statutory Report and Accounts
Year ended
31 July 2017



**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

Contents

Trustees Annual Report (including the Strategic Report) _____	3
Statement of principal accounting policies _____	18
Statement of financial activities (incorporating the income and expenditure account) for the year ended 31 July 2017 _____	22
Balance sheet as at the 31 July 2017 _____	23
Statement of cashflows for the year to 31 July 2017 _____	24
Notes to the financial statements _____	25
Corporate Governance and Internal Control Statement _____	36
Statement of the Directors' and Trustees' responsibilities _____	40
Directors and Trustees _____	45

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

Trustees Annual Report (including the Strategic Report)

Overview

The Higher Education Academy (HEA) was created as a charity in 2004 to bring together all those engaged in teaching and learning in higher education (HE) to develop practice and drive continuous improvement for the benefit of students and society.

We work to raise the quality and status of teaching in HE to improve the wider student learning experience and learning outcomes. We do this through promoting the professionalisation of teaching, disseminating best practice, and supporting the ongoing continuous professional development of staff globally.

The HEA works in partnership with institutions and individual educators to support and continuously improve teaching quality. HEA Fellowships are at the core of our work and a benchmark for standards in HE teaching and learning support. Over 92,000 individuals, across 84 countries, have now been awarded HEA Fellowship. As a result HEA Fellows have supported the learning experience of over 5 million students over the last 13 years since the HEA's inception.

The HEA engages with over 270 institutional subscribers globally, to identify and celebrate good practice, share and create knowledge through networks, and pursue collaborative projects to tackle issues too difficult to be addressed by any one institution on their own.

Context

2016-17 was the first year of operation without core grant funding from the UK's four Funding Councils, which has historically constituted 85% of our income. Therefore the focus has been to ensure the HEA is financially self-sustaining in order to continue to deliver our charitable objectives. This includes widening its income streams as well as implementing cost efficiencies.

The HEA has successfully delivered its new institutional subscription offer during 2016-17, including the Professional Learning Curve – a new continuous professional development (CPD) and training programme.

The Universities UK (UUK) review into UK Higher Education Sector Agencies¹ in January 2017, led by Sir David Bell, recommended that the "core functions of the Equality Challenge Unit (ECU), the Higher Education Academy (HEA) and the Leadership Foundation for Higher Education (LFHE) should be merged into a single body to create a new, more responsive and holistic sector agency". The HEA has been actively engaged in discussions to progress this recommendation.

¹ Universities UK, [Report of the Review Group on UK Higher Education Sector Agencies](#), January 2017

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

Strategy and objectives

The HEA's strategy, objectives and how they will be achieved are detailed below.

Vision: A culture of excellence and continuous improvement in learning and teaching extends throughout Higher Education globally, driven by the work of an active and engaged global professional community.

Mission: The HEA is the international not-for-profit organisation that promotes excellence in teaching and learning in higher education globally for the benefit of all students and society.

The objectives will be achieved by deploying the following strategies:

- Recognising and rewarding quality and excellence in teaching and learning through awards and conferring professional status that celebrate practice and aid career progression.
- Supporting the development of skills and innovation through active and impactful communities of practice and career-long professional learning.
- Fostering the on-going development of the profession through collaborative research, shared insight and thought leadership.
- Furthering a culture of excellence through bespoke enhancement help and support.

Values:

- Progressive – we recognise that improvement is continuous. We are curious, restless, committed pursuers of positive change.
- Agile – we are focused, intuitive and flexible in our service.
- Collaborators – we work in partnership to achieve shared goals.
- Trusted – we are relentless in our drive to generate trust through our credibility, knowledge and expertise.

Public benefit

The HEA is a registered charity and the Board continues to have due regard to the Charity Commission's guidance on public benefit, ensuring that the HEA's products and services continue to deliver its charitable aims. The HEA contributes to the world-wide reputation, success and value of the higher education sector through its global operations.

The HEA provides public benefit, through delivering its charitable articles, by:

- providing strategic advice and co-ordination within the higher education sector, government, funding bodies and others on policies and practices that will impact upon and enhance the student experience;

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

- supporting and advancing curriculum and pedagogic development across the whole spectrum of higher education activity;
- facilitating the professional development and increasing the professional standing of all staff in higher education.

The HEA's public benefit is reflected in its strap-line, "Transforming teaching, Inspiring learning". This summarises the HEA's role in raising the quality and status of teaching in HE in order to improve students' learning outcomes. Research² has showed that graduates make a greater contribution to society, through greater social cohesion, political stability and social mobility.

The HEA operates across the global higher education community and provides benefit to different stakeholders including:

- institutions – higher education providers (HEPs) to enhance the learning and teaching environment;
- individuals – supporting them at all stages of their career to support students' learning experiences;
- the HE sector – working with funding bodies; HE mission groups; professional, statutory and regulatory bodies; other sector agencies and groups representing external stakeholders, to champion continuous improvement in learning and teaching globally.

Further detail of the activity to deliver public benefit is provided in the following section (2016-17 performance).

Social responsibility

The HEA is committed to being a socially responsible organisation, seeking to minimise adverse impacts on the environment wherever possible and to operate in accordance with sustainable development principles as outlined in its Corporate Social Responsibility Policy. All HEA employees are supported to undertake voluntary activities in the community through flexible working arrangements and one additional day's leave each year.

2016-17 performance

The following outlines the HEA's performance throughout 2016-17 and its position at the end of the financial year.

² Department for Business, Innovation and Skills, [*Things we know and don't know about the Wider Benefits of Higher Education: A review of the recent literature*](#), October 2013

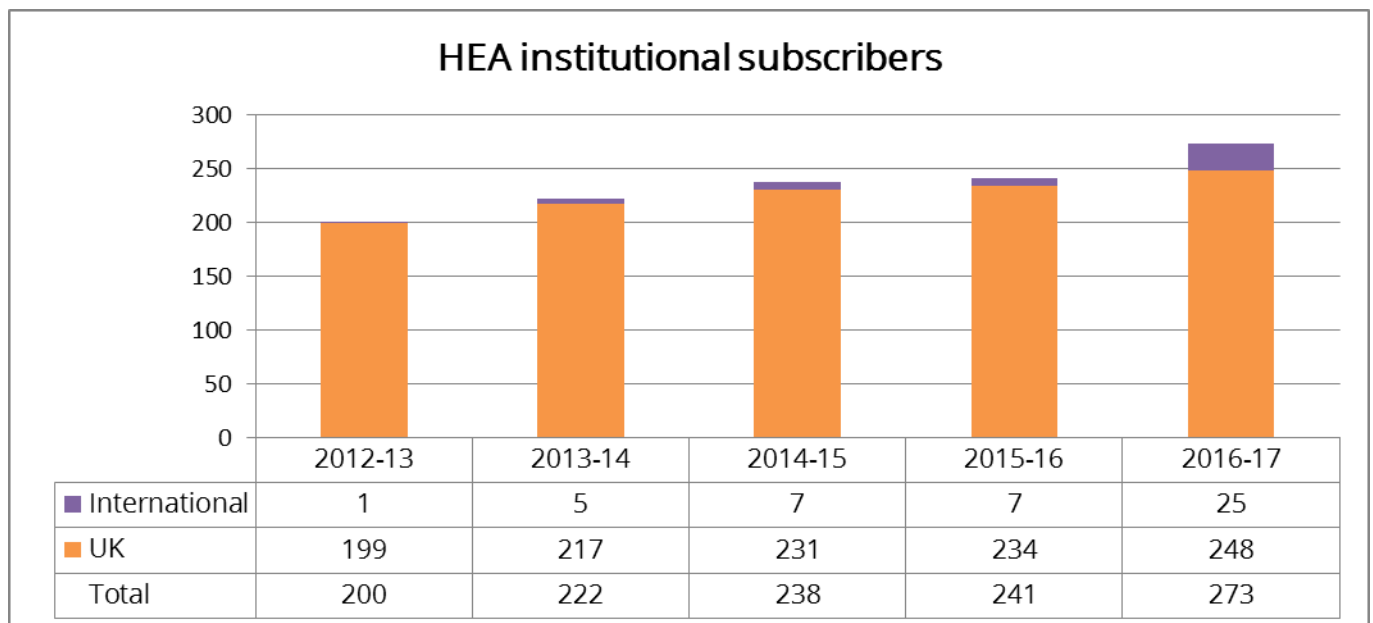
**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

a) Key services

Supporting institutional subscribers

HEA institutional subscription

The HEA works collaboratively with institutions to help enhance the quality of their teaching and learning. We now have over 270 institutional subscribers, with 25 international subscribers, located in 11 countries, including Australia, Bahrain, China, Kenya, New Zealand, Oman, Singapore, Spain, Thailand, United Arab Emirates, and the USA.



Accreditation

We accredit HE institutions' initial and continuing professional development (CPD) programmes against the UK Professional Standards Framework (UKPSF). This enables individuals who have successfully completed an accredited programme to be awarded professional recognition at the appropriate HEA Fellowship category.

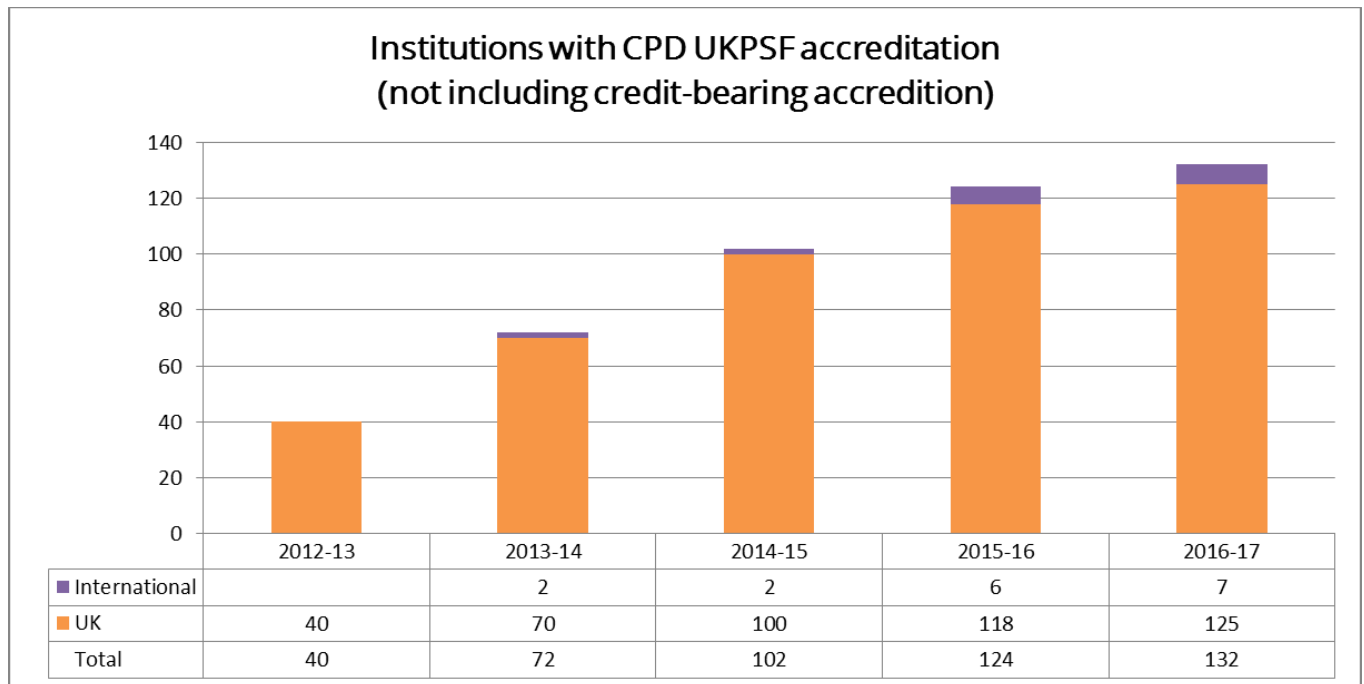
A total of 157 institutions are now accredited (both credit-bearing and CPD provision), with 132 institutions having a CPD scheme accredited by the HEA (2015-16, 124). This includes 7 HE providers located outside the UK in Australia, Bahrain, China and Thailand.

A review of accredited CPD schemes³ found that such schemes are continuing to increase the status of teaching. 78% of respondents reported evidence of "concrete systemic change" within their institution as a result of the CPD scheme, including job specifications and recruitment documentation incorporating HEA Fellowship as an explicit requirement. 25% of schemes

³ Annual Review of HEA accredited CPD schemes 2015-16, March 2017, <http://ow.ly/shmV30efCCD>

The Higher Education Academy Statutory Report and Accounts Year ended 31 July 2017

report a positive impact on students' experiences as evidenced in evaluations, improved National Student Survey (NSS) scores and student-led awards.



Student Surveys: Turning insight into advantage

The HEA runs 3 surveys each developed with the sector, to support the continuous improvement of the student academic experience. The number of students and institutions participating in the surveys continues to grow, with 130 institutions undertaking at least 1 survey in 2016-17, increasing their value as a comparative benchmark.

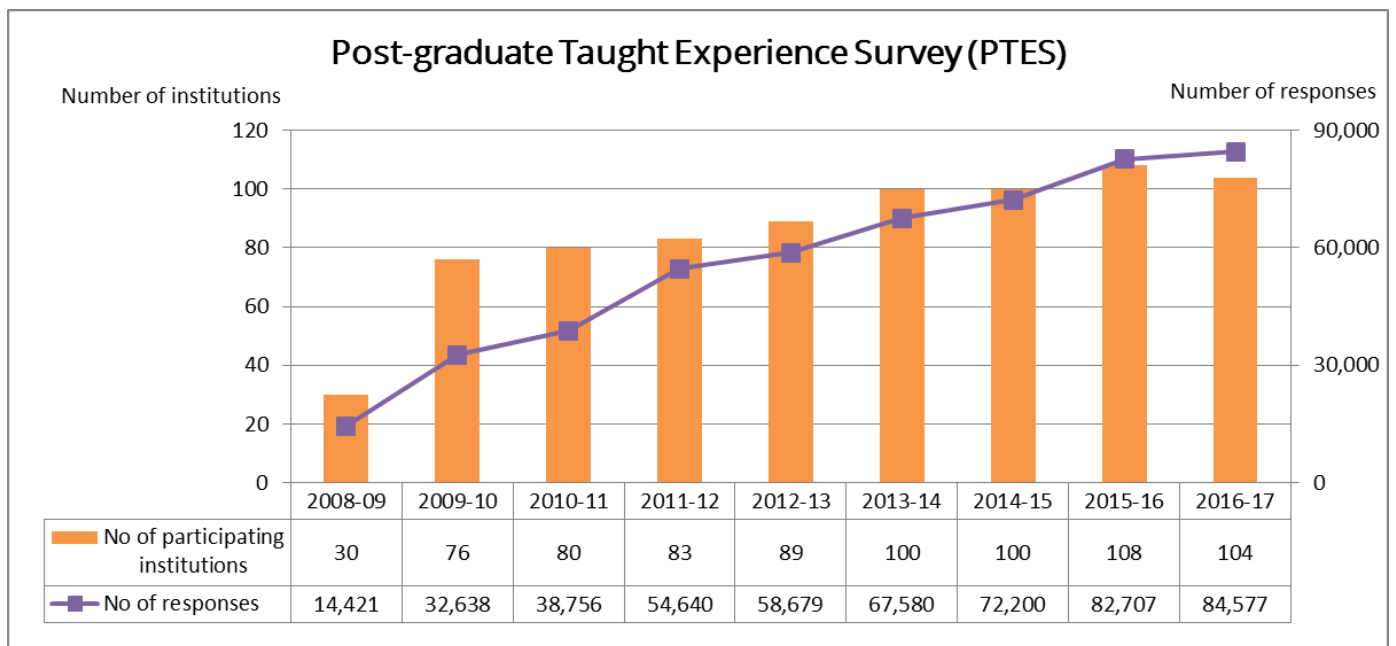
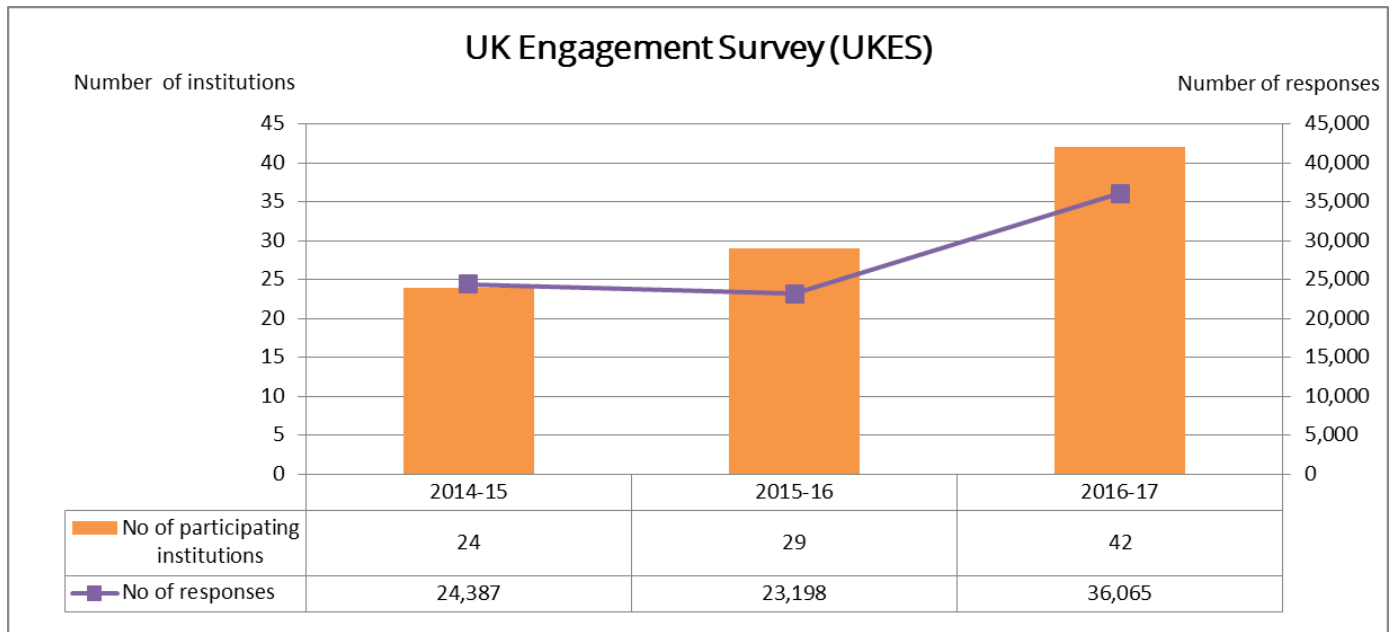
The HEA's Student Surveys provide subscribers with valuable benchmarked insight into how the undergraduate and postgraduate academic experience at their institution compares with that of others. They enable institutions to identify opportunities to target or accelerate change so students get the most from their studies. 83% found the HEA's Postgraduate Research Experience Survey (PRES), which captures over 50% of postgraduate researchers in the UK, is useful in helping to drive enhancement of students' experiences⁴.

"What the UKES offers is a counterpoint to the discourse about reputation and satisfaction, to really focus more on matters of teaching and learning."

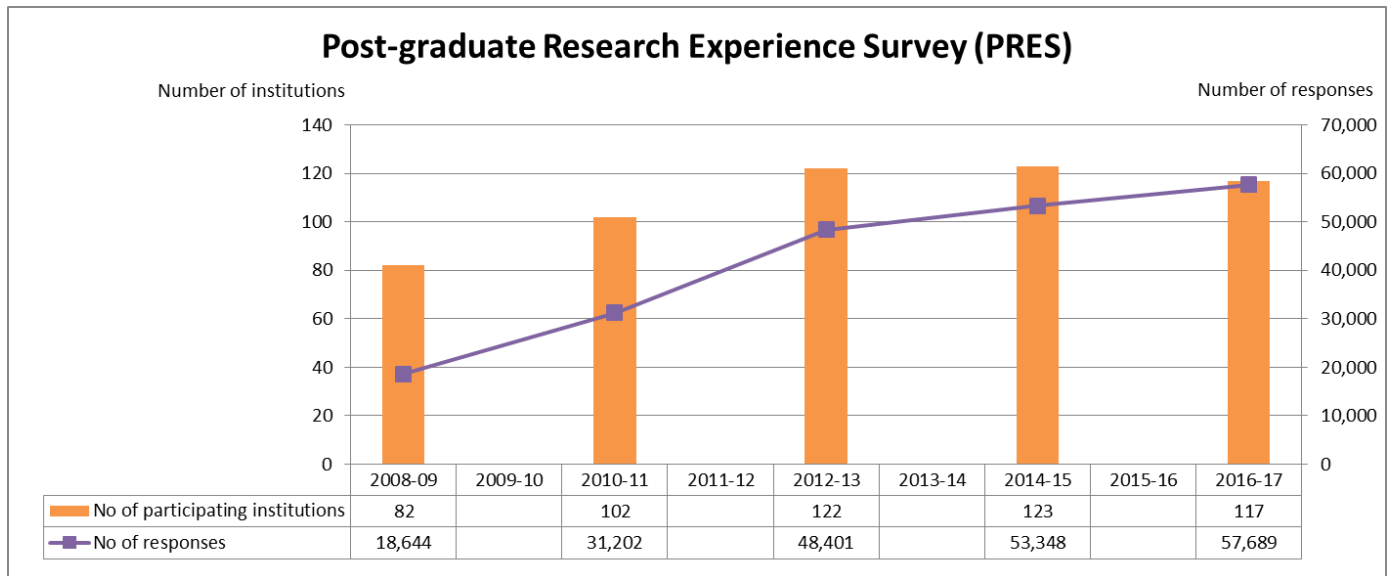
Alex McCormick, Senior Associate Director of CPR, NSSE Director, Indiana

⁴ HEA Survey Officers Feedback Survey, August 2017

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**



**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**



The annual Student Academic Experience Survey (SAES) shows how full-time undergraduate students rate their time in HE and their attitudes towards policy issues that impact upon them. It has been designed and developed in partnership with the Higher Education Policy Institute (HEPI). Since its launch in 2006, it has had a significant impact on policymakers particularly as demonstrated in the 2015 HE green paper and the 2016 HE white paper. The 2017 survey⁵ found evidence that perceptions of teaching quality are rising, with year-on-year increases in students' perceptions of the characteristics of their teaching staff.

Providing bespoke support

Our strategic frameworks, created in collaboration with the HE sector, provides a shared point of reference and common language to discuss and shape policies, practices, processes and partnerships. Our frameWORKS series covers the key thematic priorities that impact upon the quality of learning and teaching in higher education:

- Assessment;
- Employability;
- Retention;
- Internationalising HE;
- Flexible Learning.
- Student Engagement;
- Student Success – combining all six themes into one holistic approach.

“The Higher Education Academy frameworks are evidence-based and provide the higher education sector with a national reference point to enable the institution to develop its own approach according to local circumstances as well as benchmarking performance.”⁶ Universities UK (2016)

⁵ HEA/HEPI 2017 Student Academic Experience Survey, June 2017, <http://ow.ly/ZjuW30efWtj>

⁶ Universities UK (2016), October 2016, p.73, Working in partnership: enabling social mobility, <http://ow.ly/mVZI30eos2Q>

The Higher Education Academy Statutory Report and Accounts Year ended 31 July 2017

Our bespoke consultancy support helps institutions to address these key priorities at institutional, faculty, departmental, service or programme level and extends across all aspects of learning and teaching.

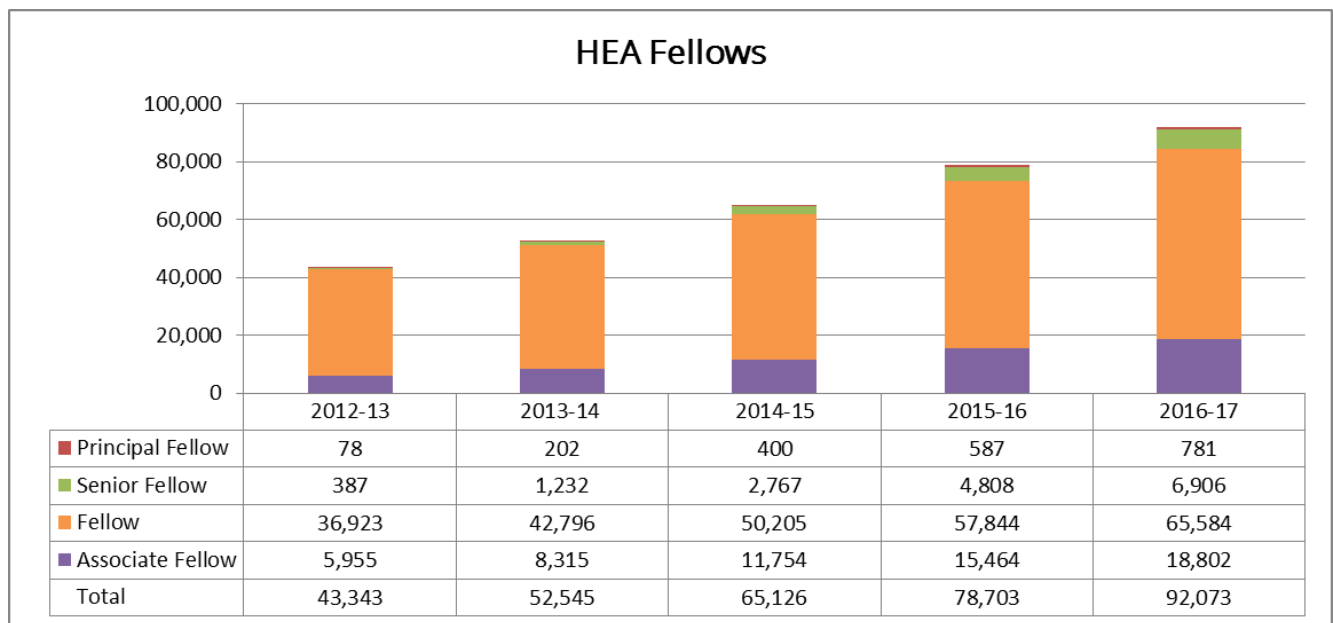
Supporting individual educators

HEA Fellowship

HEA Fellowship demonstrates a personal and institutional commitment to professionalism in teaching and learning in HE. Across 4 categories, from Associate to Principal Fellowship, HEA Fellowships are widely recognised within the UK and increasingly around the world.

The Fellowship community continues to grow rapidly as more institutions and individuals seek to benchmark their practice independently with a 17% increase in the total number of HEA Fellows since 1 August 2016. With over 92,000 registered Fellows globally, across 84 countries, this network is the world's largest professional community for those engaged in teaching and learning in HE.

82% of those surveyed agreed that achieving Fellowship is a marker of esteem and a good example to colleagues and 79% reported that applying for Fellowship was a valuable opportunity to reflect on their practice⁷.



HEA Awards: celebrating good practice

We recognise and reward individual teaching achievement through our longstanding sponsorship of the Times Higher Education's Innovative Teacher of the Year Award, National

⁷ Survey of HEA Fellows undertaken in October 2016, awarded Fellowship in previous 3 years.

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

Teaching Fellowship Scheme (NTFS), and HEA Fellowships themselves, which serve to raise the status and profile of teaching and celebrate success.

We recognise excellence within teams and institutions with the launch of new peer-reviewed schemes in 2017 – the Collaborative Award for Teaching Excellence (CATE) and the Global Teaching Excellence Award (GTEA).

The CATE 2017 awards recognised 6 teaching excellence of teams at HE providers. The collaborative award is an important development which reflects the key role that teamwork has in learning and teaching innovation across the sector.

The GTEA is the first global award to celebrate and reward institutional commitment to the pursuit of teaching excellence in HE open to all public and private sector universities and other providers of HE; 27 institutions have been shortlisted as finalists for the first 2017 awards.

Individual CPD support: Professional Learning Curve

Working with the sector, the HEA launched the Professional Learning Curve in 2016-17 to provide training and development opportunities for staff throughout their careers. From 1 day master-classes to year-long programmes, approaches include mentoring, action learning sets and peer support to aid formal, informal and experiential learning.

At each level, the curve provides individuals with the practical tools and skills to meet the needs of their students and institution in their roles. Programmes can be adapted and delivered flexibly with many subscribers seeking entirely bespoke versions that address their institutional needs.

In 2016-17, the HEA launched a new virtual learning environment and e-portfolio tool to offer online to support busy schedules and engage national and international partners. The HEA also delivered 135 events, with over 4,800 participants.

“Going through the HEA’s Executive Development Programme (EDP) has made a massive difference to my confidence and strategic understanding over the past year and certainly played a major part in my recent promotion.”

(Professor Helen O’Sullivan, Pro-Vice-Chancellor for Online Learning, University of Liverpool)

Sharing good practice

The HEA has continued to make available resources to support individuals’ practice through its knowledge exchange and development hubs. These hubs bring together people from across the sector both nationally and globally, with over 300 new resources added, and over a million visits to the site during 2016-17.

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

Supporting sector-wide activities

Collaborating for success: Networks and Communities of Practice

As an independent body, the HEA brings together expertise from across the sector to develop and support practice, drive innovation and address sector challenges through collaboration. Fellows can also engage in global online networks and communities of practice that focus on specialist topics, connecting people across the world.

The HEA facilitates a number of strategic networks including its PVC Network which informs sector developments, such as the Teaching Excellence Framework (TEF). The Deans' summits have focused on the intersection of policy and curriculum design and delivery. For example, the STEM event focused on Degree Level Apprenticeships and how these can be used to better engage with employers. The disciplines team also worked with other sector groups, such as the Council of Deans for Health (CoDH) to disseminate information about the impact of the HE White Paper and, in particular, the Teaching Excellence Framework.

The HEA is contributing to the European Forum for Enhanced Collaboration in Teaching (EFFECT) project that will shape European principles for enhancing HE learning and teaching.

The HEA has expanded its support to share best practice in teaching internationally with the creation of an 'Australasian Strategic Advisory Board' (ASAB). The Board, from HEA subscribing institutions in Australia and New Zealand, will provide oversight of the HEA's plans and activities in support of teaching in HE in the region.

b) Key performance indicators (KPIs)

The table below shows relevant performance indicators monitored by the HEA during 2016-17.

Description	16-17 actual year- end	16-17 target year- end	15-16 actual year- end
Institutional Support			
HEA subscribers – total	272	250	241
HEA subscribers –Higher Education Institutions (HEI)	157	150	160
Surveys – number of institutions participated	263	270	260
Individual Support			
• Number of Associate Fellows	18,802	18,078	15,464
• Number of Fellows	65,584	64,268	57,844
• Number of Senior Fellows	6,906	6,968	4,808
• Number of Principal Fellows	781	686	587
Total number of HEA Fellows	92,073	90,000	78,703

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

c) Financial overview

For the financial year ended 31 July 2017 there was a deficit of £672k (compared to a deficit of £660k in 2015-16). As anticipated income reduced by £2,842k (23.4%), mainly as a result of the reduction in grant funding, which was partially offset by increases in other sources of income. Expenditure was reduced by £2,830k (22.1%).

The financial results for the year are summarised below:

	2017	2016	Change	
	£000	£000	£000	%
Total Income	9,326	12,168	(2,842)	(23.4)
Total Expenditure	9,998	12,828	(2,830)	(22.1)
Deficit	(672)	(660)	(12)	(1.8)

Income

The reduction in income was predominantly as a result of the expected cuts in funding body grants. The analysis of income is shown below:

	2017	2016	Change	
	£000	£000	£000	%
Funding body grants	965	7,832	(6,867)	(87.7)
Institutional subscriptions	4,796	2,667	2,129	79.8
Other income	3,534	1,624	1,910	117.6
Investment income	31	45	(14)	(31.1)
Total Income	9,326	12,168	(2,842)	(23.4)

Funding body grants

Funding body grants of £965k were received in 2016-17, a reduction of £6,867k (87.7%) on 2015-16. This was in line with the expected reductions.

Institutional subscriptions

Total income from institutional subscribers was £4,796k (2015-16, £2,667k). The total number of institutional subscribers continued to increase during 2016-17, with a total of 273 (2015-16, 243).

Other income

The HEA generated other income of £3,534k (2015-16, £1,624k) via a number of additional activities including:

- individuals applying for HEA Fellowship through direct recognition based on their experience;

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

- staff development and change programmes, such as the HEA's new Executive Development Programme, and Leading Transformation in Learning and Teaching (LTLT) course;
- consultancy services for a number of Higher Education Institutions and Government bodies both within the UK and internationally.

Expenditure

Total expenditure reduced by £2,830k (22.1%) with other operating expenses reducing by £2,962k (38.8%).

	2017	2016	Change	
	£000	£000	£000	%
Staff costs	5,070	5,007	63	1.3
Other operating expenses	4,749	7,636	(2,887)	(37.8)
Depreciation	135	150	(15)	(10.0)
Interest and other finance costs	44	35	9	25.7
Total Expenditure	9,998	12,828	(2,830)	(22.1)

Balance sheet and liquidity

Reserves at 31 July 2017 are £2,555k (2015-16, £3,227k).

During the year the HEA's reserves policy was reviewed and a target level of reserves to cover a closure situation was agreed. This policy allows directors to meet their obligations under the Companies Acts and to comply with Charity Commission guidance.

The Finance Committee continue to review the HEA's level of reserves and liquidity on a regular basis to ensure it is adequate to accommodate its medium term plans.

Capital expenditure

	£000
Computer Equipment	16
Fixtures and Fittings	12
Total capital expenditure	28

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

Cashflow

	£000
Cash at bank and in hand at 1 August 2016	7,079
Deficit for the year	(672)
Adjustment for non-cash movements included in surplus	135
Adjustment for changes in working capital	93
Capital expenditure	(28)
Net cash movement	(472)
Cash at bank and in hand at 31 July 2017	6,607

There was a net outflow of cash of £472k (2015-16, £2,654k) leaving the HEA with a cash position of £6,607k at the year end.

Future plans

The HEA's agenda – the professionalisation of teaching – is becoming increasingly important. Teaching quality is coming into sharper focus across the world as a result of policy changes and student demands. With the HE sector increasingly reliant on individual fee paying students, particularly in developed economies, there is an increasing demand on HE providers to demonstrate the quality of teaching and value for money.

Our Professional Learning Curve will support staff throughout their career with their continuing professional development which supports individuals apply for different categories of Fellowship and demonstrate their commitment to teaching excellence.

The HEA will further promote and celebrate the most effective practice and practitioners internationally through high-profile global teaching awards.

Overseas providers and ministries are equally concerned about teaching quality and the challenges they face are not radically different from those in the UK. There is also appetite internationally from practitioners wishing to be part of a global community focused on teaching excellence. The HEA aims to become a global thought leader on teaching quality to actively influence policy internationally.

The HEA continues its expansion as a global charity that promotes better teaching in HE. The HEA will be known for championing professional standards through delivering innovative and impactful work with individuals, institutions and ministries who share a passion for great teaching.

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

Principal risks

The HEA maintains a strategic risk register which details the high-level risks. The Executive is responsible for identifying risks and the appropriate response actions. The strategic risk register is reviewed by Audit Committee at each of its meetings and an annual review is undertaken by the Board.

The following provides a summary of the main risks managed during 2016-17:

- uncertainty created by UUK's Bell Review resulting in reduced customer engagement.
- not achieving financial sustainability following the loss of grant funding and associated cash flow impact.
- continued demonstration of the HEA's reach, value and impact.
- appropriate systems and IT infrastructure to fully support the HEA to meet customer needs and expectations.

Going concern

The Audit Committee has reviewed and reported to the Board on the assessment of strategic risks. The Finance Committee and the Board have also received reports on non-financial indicators which are of significance to longer term financial sustainability.

The Board has approved the business plan, financial forecasts and the required reserve levels and is satisfied that the HEA will operate in a financially sustainable manner. The Board considers that the HEA has sufficient resources to continue in operational existence for at least but not limited to the 12 months from the date these statutory accounts are signed and continues to adopt the 'going concern' basis in preparing the statutory accounts.

Potential future developments

The Board has noted that there have been significant events that could materially change the HEA operation. The Board is in discussion with the Boards of the Equality Challenge Unit (ECU) and Leadership Foundation for Higher Education (LFHE) with regard to a potential merger of the three organisations.

The HEA is determined to ensure the following as part of the merger process including:

- protecting and maintaining the HEA's charitable objects,
- endeavouring to meet the recommendations put forward by the Bell Review,
- continuing to meet the needs of HEA stakeholders, including subscribing institutions both in the UK and internationally.

Any such merger could impact the HEA in all areas from Board composition, structure and infrastructure through to changes to strategy.

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**



Professor Rama Thirunamachandran (Chair)



Professor S Marshall (Chief Executive)

22 November 2017

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

Statement of principal accounting policies

Company information

The Higher Education Academy is a registered charity and company limited by the guarantee. The registered office is Innovation Way, York Science Park, Heslington, York, YO10 5BR.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015, the Companies Act 2006, and in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102). The HEA is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102.

Going concern

As noted in the strategic report the Board considers that the HEA has sufficient resources to continue in operational existence for at least but not limited to the 12 months from the date these statutory accounts are signed and continues to adopt the 'going concern' basis in preparing the statutory accounts.

The Board is currently in discussion with the Boards of the Equality Challenge Unit (ECU) and Leadership Foundation for Higher Education (LFHE), with regard to a potential merger of the three organisations. The Board is of the opinion that the HEA will have sufficient resources to meet its liabilities as that fall up to the point of merger. In the case of merger, the HEA's activities would be transferred as a going concern.

Recognition of income

Grant Funding

Where grant funding receivable from the funding bodies represents the funding allocation attributable to the current financial year, it is recognised in the income and expenditure accounts.

Institutional Subscriptions

Institutional Subscriptions are recognised over the period to which they relate.

Other Income

Income from specific grants, contracts and other services is accounted for on an accruals basis and recognised in the accounts when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs.

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

Investment Income

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

Grants made

Where grants made are not utilised, a claw-back is recognised as a debtor in the balance sheet. The associated grant income is then deferred until the original conditions for its receipt have been complied with.

Pension schemes

The Higher Education Academy participates in the Universities Superannuation Scheme. With effect from 1 October 2016, the scheme changed from a defined benefit only pension scheme to a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the institution therefore 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. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

Tangible fixed assets

Tangible assets are capitalised where they are capable of being used for a period that exceeds one year. Laptops, desk top computers, and servers are capitalised, irrespective of cost. All other equipment (excluding computer software and licences), furniture and fittings are capitalised at cost where the aggregated or individual cost is £1,000 or more.

Depreciation

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
Statutory Report and Accounts
Year ended 31 July 2017**

Leased assets

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

Liquid resources

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

The HEA has no significant exposure to cashflow interest rate risk as it does not have any loans or interest charging facilities in place.

Provisions

Provisions are recognised when the HEA has a present financial obligation as a result of a past event and it is probable that a transfer of economic benefit will be required to settle the obligation, and a reliable estimate can be made of its value.

Contingent liabilities

Contingent liabilities are disclosed by way of a note, when the definition of a provision is not met and includes three scenarios: a possible rather than a present obligation; a possible rather than a probable outflow of economic benefits; an inability to measure the economic outflow.

Taxation

The HEA is a charity within the meaning of schedule 3 of the Charities Act 2011 and as such is a charity within the meaning of section 467 Corporation Tax Act 2010 (CTA 2010).

Accordingly, the HEA is potentially exempt from taxation in respect of income or capital gains received within categories covered by part 11 of CTA 2010 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 HEA receives no similar exemption in respect of Value Added Tax.

Reserves

During the year the HEA's reserves policy was reviewed and a target level of reserves to cover a closure situation was agreed. This policy allows directors to meet their obligations under the Companies Acts and to comply with Charity Commission guidance.

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

The HEA may establish a designated reserve, where reserves are earmarked for a particular purpose.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

Statement of financial activities (incorporating the income and expenditure account) for the year ended 31 July 2017

	Notes	2017 £000	2016 £000
Income			
Funding body grants	2	965	7,832
Other income	3	8,330	4,291
Investment income	4	31	45
Total income		<u>9,326</u>	<u>12,168</u>
Expenditure			
Staff costs	5	(5,070)	(5,007)
Other operating expenses	7	(4,749)	(7,636)
Depreciation	9	(135)	(150)
Interest and other finance costs	8	(44)	(35)
Total expenditure		<u>(9,998)</u>	<u>(12,828)</u>
(Deficit) for the year retained within the Income and Expenditure reserve	22	(672)	(660)
Fund balances brought forward at 1 August 2016		<u>3,227</u>	<u>3,887</u>
Fund balances carried forward at 31 July 2017		<u><u>2,555</u></u>	<u><u>3,227</u></u>

The income and expenditure account is in respect of continuing activities for the HEA.

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

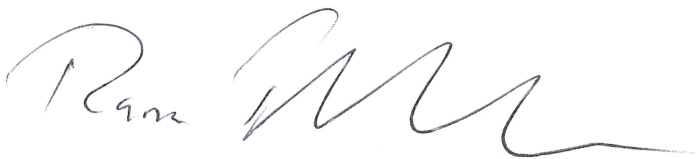
The accompanying accounting policies and notes form an integral part of these financial statements.

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

Balance sheet as at the 31 July 2017

	Notes	2017 £000	2016 £000
Fixed assets			
Tangible assets	9	<u>98</u>	<u>205</u>
		<u>98</u>	<u>205</u>
Current assets			
Debtors	10	2,305	3,038
Cash at bank and in hand		<u>6,607</u>	<u>7,079</u>
		<u>8,912</u>	<u>10,117</u>
Creditors: amounts falling due within one year	11	(5,463)	(6,058)
Net current assets		<u>3,449</u>	<u>4,059</u>
Total assets less current liabilities		3,351	4,264
Provisions for liabilities	12	<u>(992)</u>	<u>(1,037)</u>
NET ASSETS		<u><u>2,555</u></u>	<u><u>3,227</u></u>
Reserves			
I & E reserve	22	2,555	3,227
TOTAL RESERVES		<u><u>2,555</u></u>	<u><u>3,227</u></u>

The financial statements on pages 24 to 33 were approved by the Board on 22 November 2017 and were signed on its behalf by:



Professor Rama Thirunamachandran (Chair)

The Higher Education Academy
Company number 04931031

The accompanying accounting policies and notes form an integral part of these financial statements.

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

Statement of cashflows for the year to 31 July 2017

	Notes	2017 £000	2016 £000
Cash flows from operating activities	13	(431)	(2,639)
Cash flows from investing activities	14	(13)	10
Cash flows from financing activities	15	<u>(28)</u>	<u>(25)</u>
Change in cash and cash equivalents in the reporting period		<u>(472)</u>	<u>(2,654)</u>
Reconciliation of net cash flow to movement in net funds			
(Decrease) / Increase in cash in the year	16	(472)	(2,654)
Change in net debt resulting from cash flows		<u>-</u>	<u>-</u>
Movement in net funds in the year		(472)	(2,654)
Cash and cash equivalents at the beginning of the reporting period		<u>7,079</u>	<u>9,733</u>
Cash and cash equivalents at the end of the reporting period		<u><u>6,607</u></u>	<u><u>7,079</u></u>

The accompanying accounting policies and notes form an integral part of these financial statements.

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

Notes to the financial statements

1. Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors considered to be relevant. The items in the financial statements where these judgements, estimates and assumptions have been made include:

Pension Scheme

FRS 102 makes the distinction between a Group Plan and a multi-employer scheme. A Group Plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as Universities Superannuation Scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in profit or loss in accordance with section 28 of FRS 102. The directors are satisfied that the scheme provided by Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

Provision for doubtful debts

All debts over 90 days were reviewed and a judgement made as to the level of provision required on a case by case basis.

2. Funding body grants

	2017	2016
	£000	£000
Higher Education Funding Council for England	627	5,821
Scottish Funding Council	23	820
Higher Education Funding Council for Wales	30	362
Department for Employment and Learning	5	130
Jisc	-	1
Department for Business, Innovation & Skills (BIS)	43	405
Department for Culture, Media and Sport	209	291
Other	28	2
	965	7,832

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

3. Other Income

	2017 £000	2016 £000
Institutional subscriptions	4,796	2,667
Other income	3,534	1,624
	8,330	4,291

4. Investment income

	2017 £000	2016 £000
Interest receivable	31	45
	31	45

5. Staff

	2017 £000	2016 £000
Staff costs for the above persons:		
Wages and salaries	4,080	4,049
Social security costs	431	365
Movement on USS provision	(58)	37
Pension costs	617	556
	5,070	5,007

Emoluments of the Chief Executive:

	2017 £000	2016 £000
Salary	164	161
Performance related	11	-
Benefits in kind	3	4
Pension Contributions	-	21
Total emoluments	178	186

The pension contributions of £nil (2015-16 £21k) in respect of the Chief Executive are in respect of employer's contributions to the USS pension scheme and are paid at the same rate as for other employees.

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

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

	2017 £000	2016 £000
£60,000 to £69,999	5	3
£70,000 to £79,999	1	1
£80,000 to £89,999	2	1
£90,000 to £99,999	-	-
£100,000 to £109,999	-	1
£110,000 to £119,999	1	-
£120,000 to £129,999	-	-
£130,000 to £139,999	-	-
£140,000 to £149,999	-	-
£150,000 to £159,999	-	-
£160,000 to £169,999	-	1
£170,000 to £179,999	1	-
	<u>10</u>	<u>7</u>

The average number of persons employed by the HEA during the year, by major category, expressed as full-time equivalents was:

	2017 No.	2016 No.
Services	41	34
Disciplines	6	10
Professional Practice	15	16
Marketing	9	10
Overheads	22	23
	<u>93</u>	<u>93</u>

2016-17 payroll costs and average full-time equivalent numbers reflect staffed operations throughout the restructure. Severance payments made during 2016-17 and included above are £63k (2015-16, £137k).

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

6. Key management personnel

The key management personnel of the company comprises those persons having authority and responsibility for planning, directing and controlling the activities of the HEA and comprises all members of the Executive of the HEA. The total employee benefits of the key management personnel were £752k (2016: £809k). The remuneration of the key management personnel is determined by the Remunerations Committee.

7. Other operating expenses

	2017	2016
	£000	£000
Academy operational costs	2,399	3,350
Indirect staff costs	136	573
Rent and rates	435	404
Travel and subsistence	670	668
Postage, printing, stationery and telephone	99	168
Professional fees	125	732
Office equipment and computer maintenance	495	882
General expenses	36	70
Public relations and marketing	288	572
Recruitment costs	66	217
	4,749	7,636
	2017	2016
	£000	£000
Other operating expenses include:		
Auditors' remuneration		
- External auditor's remuneration in respect of audit services	32	32
- External auditor's remuneration in respect of non-audit services	23	34
- Internal audit	-	21
Hire of buildings – operating leases	320	330

8. Interest and other finance costs

	2017	2016
	£000	£000
Bank charges	24	15
Finance cost of USS pension	20	20
	44	35

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

9. Tangible fixed assets

	Computer equipment £000	Equipment £000	Fixtures & fittings £000	Total £000
Cost or valuation				
Opening balance	805	7	472	1,284
Additions	16	-	12	28
Disposals	-	-	(20)	(20)
At 31 July 2017	821	7	464	1,292
Depreciation				
Opening balance	649	7	423	1,079
Provision for the period	88	-	47	135
Disposals	-	-	(20)	(20)
At 31 July 2017	738	7	450	1,194
Net book value				
At 31 July 2017	84	-	14	98
Net book value				
At 31 July 2016	156	-	49	205

10. Debtors

	2017 £000	2016 £000
Amounts falling due within one year:		
Debtors	2,013	2,800
Other debtors	8	54
	2,021	2,854
Deferred costs	30	-
Prepayments	166	155
Accrued income	88	29
	2,305	3,038

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

11. Creditors: amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	96	676
Other tax and social security	206	157
Accruals and Deferred Income	5,161	5,225
	5,463	6,058

12. Provisions for liabilities

	Obligation to fund past deficit on USS Pension £000	Onerous lease £000	Total £000
As at 1 August 2016	1,030	7	1,037
Provided for during the year	-	-	-
Utilised in the year	(38)	(7)	(45)
At 31 July 2017	992	-	992

13. Reconciliation of consolidated operating deficit to net cash flow from operating activities

	2017 £000	2016 £000
(Deficit) for the year	(672)	(660)
Depreciation (note 9)	135	150
Decrease/(increase) in debtors (note 10)	733	(1,305)
(Decrease)/increase in creditors (note 11 & 12)	(640)	(814)
Interest receivable (note 4)	(31)	(45)
Bank charges (note 8)	44	35
Loss on disposal of assets	-	-
Net cash (outflow)/inflow from operating activities	(431)	(2,639)

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

14. Returns on investments and servicing of finance

	2017 £000	2016 £000
Interest receivable	31	45
Bank charges	(44)	(35)
Net cash inflow from returns on investments and servicing of finance	<u>(13)</u>	<u>10</u>

15. Capital expenditure and financial investment

	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
Capital expenditure	(28)	(25)
Net cash outflow from capital expenditure and financial investment	<u>(28)</u>	<u>(25)</u>

16. Analysis of changes in net funds

	At 1 August 2016 £000	Cashflow £000	At 31 July 2017 £000
Cash at bank and in hand	7,079	(472)	6,607
Total	<u>7,079</u>	<u>(472)</u>	<u>6,607</u>

17. Pensions and similar obligations

The total cost charged to the profit and loss account is £617k (2015-6 £556k) as shown in note 5. The latest available full actuarial valuation of the scheme was at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway.

Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

The 2014 valuation was the third valuation for USS under the 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. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	2017	2016
Discount rate	2.57%	2.6%
Pensionable salary growth	n/a	2.0%
Price inflation (CPI)	2.41%	2.2%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members' mortality	98% of S1NA ["light"] YoB tables – No age rating
Female members' mortality	99% of S1NA ["light"] YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	2017	2016
Males currently aged 65 (years)	24.4	24.3
Females currently aged 65 (years)	26.6	26.5
Males currently aged 45 (years)	26.5	26.4
Females currently aged 45 (years)	29.0	28.8

	2017	2016
Scheme assets	£60.0bn	£49.8bn
Total scheme liabilities	£77.5bn	£58.3bn
FRS102 total scheme deficit	£17.5bn	£8.5bn
FRS 102 total funding level	77%	85%

18. Capital commitments

There were no capital commitments contracted for at 31 July 2017 (2016: £nil).

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

19. Financial commitments

At 31 July 2017 the HEA had total commitments under non-cancellable operating leases as follows:

	2017	2016
	£000	£000
Future minimum lease payments due:		
Not later than 1 year	275	303
Later than 1 year and not later than 5 years	1,099	999
Later than 5 years	1,132	1,380
	<u>2,506</u>	<u>2,682</u>

There is one property with 9½ years of a 25 year lease remaining. There is a break clause on this property in 3½ years which mitigates any risk.

20. Contingent liabilities

There were no contingent liabilities at 31 July 2017 (2016: £nil).

21. Related party transactions

Due to the nature of the HEA'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 HEA may have an interest. All transactions involving organisations in which a director of the Board or a member of the HEA may have an interest are conducted at arms' length and in accordance with the HEA's financial regulations and normal procurement procedures.

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 HEA may have an interest.

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

The following transactions were identified for disclosure under FRS 102: Related Party Disclosures:

Director/Trustee	Institution	Receipts to the institution £000	Payments to the institution £000	Owed to (Owed from) £000
Professor A J Chapman	Cardiff Metropolitan University	31	-	(3)
Professor J Kay	University of Exeter	90	5	-
Professor R Thirunamachandran	Canterbury Christchurch University	39	1	-
A Carey	Cranfield University	13	-	-
G Donnelly	Oxford Brookes University	36	58	(36)
Professor R Bunting	Buckinghamshire New University	29	5	-
Professor J Last	Norwich University of the Arts	-	-	-
Professor G Layer	University of Wolverhampton	50	5	(45)
J Robinson	Brunel University	28	18	-
Professor A Forster	University of Essex	45	-	-
Professor A Neill	University of Southampton	60	-	(6)

22. Reserves

	I & E reserve £000	Total £000
As at 31 July 2016	3,227	3,227
Deficit for the period	(672)	(672)
At 31 July 2017	2,555	2,555

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

23. Financial instruments

	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
Financial assets that are debt instruments measured at amortised cost:		
Trade and other debtors	2,022	2,854
Accrued Income	88	29
	2,110	2,883
Financial liabilities measured at amortised cost:		
Trade and other creditors	819	2,854

Financial assets measured at amortised cost comprise cash, trade debtors and other debtors

Financial liabilities measured at amortised cost comprise loans, overdrafts, trade creditors, accruals, and other creditors.

24. Potential future developments

The Board has noted that there have been significant events that could materially change the HEA operation. The Board is in discussion with the Boards of the Equality Challenge Unit (ECU) and Leadership Foundation for Higher Education (LFHE) with regard to a potential merger of the three organisations.

The HEA is determined to ensure the following as part of the merger process including:

- protecting and maintaining the HEA's charitable objects,
- endeavouring to meet the recommendations put forward by the Bell Review,
- continuing to meet the needs of HEA stakeholders, including subscribing institutions both in the UK and internationally.

Any such merger could impact the HEA in all areas from Board composition, structure and infrastructure through to changes to strategy.

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

Corporate Governance and Internal Control Statement

The HEA is a registered charity and was incorporated as a company limited by guarantee on 14 October 2003. The HEA is committed to demonstrating best practice in all aspects of corporate governance, following good practice guidance relevant to its status. This summary describes the manner in which the HEA has applied this guidance. Its purpose is to help the reader of the accounts understand how the principles have been applied.

The HEA 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). These are known as the Nolan Principles.

Board of Directors

Professor Rama Thirunamachandran, Vice Chancellor at Canterbury Christchurch University continued as Chair of the Board.

The Board of Directors, which meets formally four times a year, is responsible for the HEA's long-term strategy and objectives and for providing overall financial and organisational control. In this role it brings independent judgement to issues of strategy, performance, resources and standards of conduct.

In order to monitor and scrutinise progress, the Board is provided with regular and timely information on the overall financial performance of the HEA together with other information such as performance against targets, and proposed capital expenditure.

The Board conducts its business through four committees, Finance, Audit, Governance and Nominations, and Remuneration. Each committee has terms of reference, reviewed annually and approved by the Board. The decisions of these committees are formally reported to the Board.

The Company Secretary maintains a register of financial and personal interests of the directors and trustees. The register is available for inspection at the registered office. All directors/trustees are able to take independent professional advice in furtherance of their duties at the HEA'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.

The Board has an independent non-executive membership. The Board considers that each of its members is independent of management and free from any business or other relationship, which could materially interfere with the exercise of their independent judgement.

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

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

The Chair is responsible for leading the Board and ensuring its effectiveness.

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

Appointments to the Board

Any new appointments to the Board are a matter for the consideration of the Board as a whole (other than those that are the responsibility of nominating bodies as specified in the Articles of Association).

Governance and Nominations Committee

The Governance and Nominations Committee meets at least once a year and is chaired by Professor Rama Thirunamachandran as Chair of the Board. A further three Board Directors comprise the committee, each of whom chair the Board's subcommittees. The committee is responsible for the selection and nomination of any new member for the Board's consideration.

Audit Committee

The Audit Committee meets at least three times a year and is chaired by Professor Rebecca Bunting. A further two Board Directors, plus one co-opted members, comprise the current committee. In addition, both the internal and external auditors attend the meetings. The committee is responsible for advising the Board on the following key issues:

- reviewing the integrity of the financial statutory statements and work of the external auditors prior to recommending the approval of the annual accounts;
- reviewing the effectiveness of internal control and risk management arrangements;
- the extent to which satisfactory arrangements are in place to promote value for money through economy, efficiency and effectiveness;
- to review the effectiveness and independence of the internal and external auditors and ensuring the appropriate implementation of recommendations.

At least once a year, the internal and external auditors meet the committee for independent discussion, without the presence of HEA management.

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

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

Finance Committee

Finance Committee meets at least four times a year and is chaired by Anthony Carey. John Robinson will take over as Chair of the committee from 1 August 2017. A further four Board Directors comprise the current committee which is responsible for advising the Board on the following key issues:

- formulation of finance and resource objectives in the HEA's strategic and operating plans, including the recommendation of an annual budget and medium-term financial forecast;
- the financial health and solvency of the HEA, including the safeguarding of its assets;
- monitoring the progress of the organisation's business development activities.

Remuneration Committee

The Remuneration Committee meets at least once a year and was chaired by Professor Janice Kay. The Committee comprises the Chair of the Board, Vice-Chair, Chair of Finance Committee and one Board Director. The committee has delegated authority to review the performance of the Chief Executive and the other senior post holders appointed by the Board and to set the remuneration and conditions of service (including any severance arrangements) for all senior post holders, with particular responsibility to represent the public interest.

All Board committees operate in accordance with written terms of reference which outline their responsibilities in more detail and are reviewed annually and approved by the Board.

Internal control

Scope of responsibility

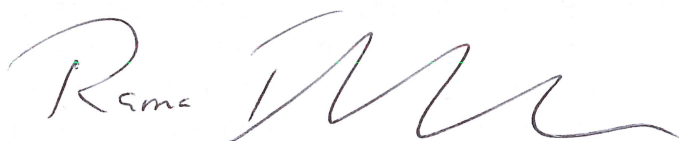
The Board is ultimately responsible for the HEA's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable, not absolute assurance, against material 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 HEA's policies, aims and objectives while safeguarding the funds and assets for which they are responsible. The Chief Executive is also responsible for reporting to the Board any material weaknesses or breakdowns in internal control.

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

Capacity to handle risk

The Board has reviewed the key risks to which the HEA 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 HEA'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.

A handwritten signature in dark ink, appearing to read 'Rama' followed by a stylized, flowing surname.

Professor Rama Thirunamachandran (Chair)

A handwritten signature in dark ink, appearing to read 'S Marshall'.

Professor S Marshall (Chief Executive)
22 November 2017

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

Statement of the Directors' and Trustees' responsibilities

The Directors and trustees are responsible for preparing the operating and financial review and the financial statements in accordance with applicable law and regulations.

Company and charity law requires the directors and trustees to prepare statutory accounts for each financial year. Under that law, the directors and trustees prepare the statutory accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), including FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under company law, the directors must not approve the statutory accounts unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the HEA for that period. In preparing these statutory accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Academy will continue in operation;
- safeguard the assets of the company and take reasonable steps for the prevention and detection of fraud and other irregularities.

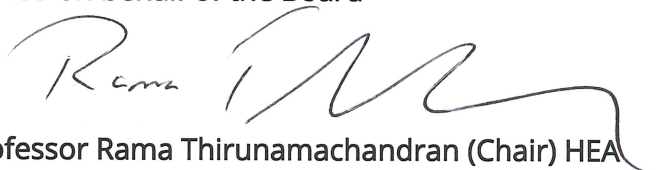
Directors and trustees must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, directors and trustees are responsible for securing economical, efficient and effective management of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

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the company's auditor is unaware;
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the Board



Professor Rama Thirunamachandran (Chair) HEA

Company No. 04931031

22 November 2017

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

Independent auditor's report to the members of The Higher Education Academy

Opinion

We have audited the financial statements of The Higher Education Academy (the 'HEA') for the year ended 31 July 2017 which comprise the Statement of Financial Activities, the Summary Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 July 2017 and of its incoming resources and application of resources including, its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – potential future developments

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the Financial Statements note 24 concerning any future impact on HEA in relation to the review being carried out by Universities UK. As described in the Financial Statements, Universities UK are currently undertaking a review to look at the future direction of the sector in which HEA operate. We are aware that the review is ongoing and that HEA is currently looking into the challenges a merger may possess. The outcome is currently unknown as to what this will mean for the way the Academy operates in the future, as such the financial statements do not include any adjustments that could arise as a result of this review.

Who we are reporting to

This report is made solely to the charitable company's members and trustees, as a body, in accordance with Section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Trustees' Annual Report, set out on pages 3 to 16 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and Trustees' Annual Report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and Trustees' Annual Report.

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- proper and adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Trustees' Responsibilities Statement set out on page 38, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Peter Edwards
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Sheffield

22 November 2017

Grant Thornton UK LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

Directors and Trustees

The Board of Directors and trustees who served during the year and up to the date of signature of this report were as listed below.

Appointed by Universities UK and Guild HE

Professor Rama Thirunamachandran, Vice- Chancellor and Principal, Canterbury Christ Church University and Chair of the Board

Professor John Last, Vice-Chancellor, Norwich University of the Arts

Appointed by the UK Higher Education Funding Councils

Professor Janice Kay, Provost, University of Exeter

John Robinson, Finance Director, Brunel University

Appointed by the Board of Directors

Professor Rebecca Bunting, Vice-Chancellor, Buckinghamshire New University

Anthony Carey, Partner, Mazars LLP

Professor Antony Chapman, Vice Chancellor, Cardiff Metropolitan University (to 31 August 2016)

Amatey Doku, Vice President, National Union of Students (from 26 July 2017)

Professor Anthony Forster, Vice Chancellor, University of Essex (from 12 October 2016)

Professor Geoff Layer, Vice Chancellor, University of Wolverhampton

Professor Alex Neill, Vice President (Education), University of Southampton (from 5 December 2016)

Sara Parkin, Founding Director of Forum for the Future

Johnny Rich, Chief Executive, Push and Chief Executive Engineering Professors Council

Iain Rolland, Group Chief Auditor, Department for Business, Innovation and Skills (to 5 December 2016)

Sorana Vieru, Vice President, National Union of Students (to 26 July 2017)

No trustees received any payment for their duties other than reimbursement of travel and subsistence expenses incurred in the course of their duties. Claimants have been reimbursed a total of £1k during the year.

Related party transactions are reported in note 21 to the financial statements.

Auditors

A formal tender process was undertaken in November 2014 and Grant Thornton were reappointed as external auditors from 2014-15 for a 3-year period.

Professional advisers

External auditors:

Grant Thornton UK LLP

Statutory Auditor

Whitehall Riverside

Leeds

LS1 4BN

Internal auditors (to February 2017)

RSM

Springfield House

76 Wellington Place

Leeds

LS1 2AY

**The Higher Education Academy
Statutory Report and Accounts
Year ended 31 July 2017**

Bankers

The Royal Bank of Scotland Plc York Branch 6 Nessgate York YO1 9FY	Yorkshire Bank Plc York Branch 46 Coney Street York YO1 9NQ
Handelsbanken UK Unit 5, Tudor Court Nether Poppleton York North Yorkshire YO26 6RS	Barclays Bank Plc 25 James Street Harrogate North Yorkshire HG1 1QX

Solicitors

DAC Beachcroft LLP 100 Fetter Lane London EC4A 1BN	Lupton Fawcett Denison Till Yorkshire House East Parade Leeds LS1 5BD
Bond Dickinson St Ann's Wharf 112 Quayside Newcastle upon Tyne NE1 3DX	Mills and Reeves Botanic House 100 Hills Road Cambridge CB2 1PH
Eversheds Sutherland (International) LLP 1 Wood Street London EC2V 7WS	Aaron & Partners LLP Cannon Court North Abbey Lawn Shrewsbury SY2 5DE

Executive

Professor Stephanie Marshall, Chief Executive Officer
 Dr Mark Jones, Chief Operating Officer
 Olivia Fleming, Director of Partnerships
 Simon Jones, Director of Engagement
 Colin Simonds, Director of Finance and Resources (to April 2017)
 Sarah Threadgold, Director of Finance and Resources (from 2017)
 Hannah Purkis, Company Secretary