

# Statutory Report and Accounts Year ended 31 July 2018

**Advance HE  
Statutory Report and Accounts  
Year ended 31 July 2018**

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## **Trustees Annual Report (including the Strategic Report)**

### **Overview**

Advance HE is a UK registered charity that is dedicated to the development and enhancement of higher education for the benefit of students, staff and society.

Advance HE supports Higher Education (HE) providers in putting institutional strategy into practice. We bring together HE-focused expertise in governance, leadership, teaching and learning, and equality, diversity and inclusion, to help deliver world-leading teaching, research and scholarship, civic missions and student outcomes. We do this through the provision of specialist knowledge and resources, externally recognised benchmarking and recognition schemes, and a member-focused, collaborative approach.

We believe improvement in higher education is continuous in order to advance the sector. Advance HE was created to provide dedicated support to the higher education sector across four key interrelated themes: governance, leadership, teaching and learning, and equality, diversity and inclusion. These areas are all crucial to the well-being and effective delivery of higher education now and in the future.

We are a member-led organisation that brings a combined strength of knowledge and best practice from our previous work as the Equality Challenge Unit (ECU), the Higher Education Academy (HEA) and the Leadership Foundation for Higher Education (LFHE).

By further developing expertise and new thinking in governance, leadership, teaching and learning, and equality, diversity and inclusion, Advance HE can help institutions meet the challenges of the present and evolving higher education sector landscape.

### **Fundraising Policy**

Advance HE's income is generated from membership subscriptions and fees, programmes and events fees, consultancy fees, accreditation and charters fees, awards fees, and commissioned work from national Funding Bodies (OfS, HEFCE, HEFCW, DfE Northern Ireland, SFC). Advance HE does not use professional fundraisers or commercial participators, nor does it operate any voluntary standards and schemes for fund-raising.

### **Context**

The Universities UK (UUK) review into UK Higher Education Sector Agencies<sup>1</sup> in January 2017, led by Sir David Bell, recommended that the "core functions of the ECU, HEA and the LFHE should be merged into a single body to create a new, more responsive and holistic sector agency", as well as being more cost effective and providing better value for money.

In May 2017, the three Boards signed a Memorandum of Understanding (MOU) that confirmed the intention to merge and identified a series of activities that the new organisation would undertake.

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

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In September 2017, an appointment panel with representation from all three agencies, UUK and GuildHE, interviewed for the role of Chief Executive Officer Designate (CEO-D). Alison Johns, Chief Executive of LFHE, was appointed to the role.

The Boards of each of the agencies after discussion and consideration of all of the relevant documentation formally agreed the merger on 15 December 2017.

Consent from the Charity Commission and Office Scottish Charity Regulator was obtained to change the objects and Articles of Association.

The formal merger of the ECU, HEA and LFHE took place on 31 March 2018. At this point the assets and liabilities of ECU and LFHE were transferred, TUPE took place for staff and the Advance HE Board came into existence.

The Statutory Report and Accounts reflect 8 months of HEA activities and 4 months of activities as Advance HE (this includes the activities of ECU, HEA and LFHE).

## **Strategy and objectives**

Advance HE will be a highly respected ‘new’ sector agency that is seen as a core part of the higher education landscape because the value and quality of our services are widely recognised as providing the solutions, skills, evidence, good practice and recognition against national standards and benchmarks.

Advance HE is seen as concerned with and successful in helping its members operate beyond regulatory baselines to achieve excellence in all they aspire to.

We will be known for our prescience, knowledge, insight, innovation, evidence, benchmarking, quality and presence, locally, nationally and globally.

We recognise that there is no single solution for each of our members and therefore our approach and services will be tailored to meet institutional priorities and support our members in driving strategic change in their institutions.

The Executive and Board will be developing Advance HE’s three-year strategy in 2018-19.

## **Public benefit**

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

Advance HE 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 teaching and learning policies and practices that will impact upon and enhance the student experience;

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- + 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.
- + developing the professionalism and profile of leadership, management and governance;
- + improving the supply of development opportunities particularly international and cross sector;
- + broadening perspectives and improving standards in relation to leadership, management and governance;
- + identifying and changing any cultural and systemic practices that unfairly exclude, marginalise or disadvantage individuals or groups and promote inclusive approaches;
- + eliminating discrimination on the grounds of age, disability, gender identity, marital or civil partnership status, pregnancy or maternity status, race, religion or belief, sex, sexual orientation or through any combination of these characteristics or other unfair treatment;
- + advancing education and raising awareness in equality and diversity.

Advance HE operates across the global higher education community and provides benefit to different stakeholders including:

- + institutions – a diverse range of higher education providers (HEPs);
- + individuals – supporting them at all stages of their career;
- + the HE sector – working with funding bodies; HE mission groups; professional, statutory and regulatory bodies; other sector agencies and groups representing external stakeholders.
- + other stakeholders – who access Advance HE products and services, such as Research Institutes and Further Education Colleges.

Further detail of the activity to deliver public benefit is provided in the following section (2017-18 performance).

### **Social responsibility**

Advance HE 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.

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## **2017-18 performance**

The following outlines Advance HE's performance throughout 2017-18 and its position at the end of the financial year.

### **a) Key services**

#### **Supporting institutional membership**

##### Advance HE institutional membership

Advance HE works collaboratively with institutions to enhance their Teaching and Learning; Leadership, Governance and Management; and Equality, Diversity and Inclusion. We enter 2018-19 with over 340 institutional members, with 49 based internationally, located across 19 countries, including Australia, Bahrain, Thailand, Hong Kong, New Zealand, Oman, Peoples Republic of China, Singapore, United Arab Emirates, Fiji, France, Kenya, Lebanon, Malaysia, Saudi Arabia, South Africa, Taiwan, United States of America and Turkey.

##### Athena SWAN

Advance HE's Athena SWAN Charter was established in 2005 to encourage and recognise commitment to advancing the careers of women in science, technology, engineering, maths and medicine, in higher education and research. In May 2015 the charter was expanded to recognise work undertaken in arts, humanities, social sciences, business and law and in professional and support roles, and for trans staff and students. The charter now recognises work undertaken to address gender equality more broadly, and not just barriers to progression that affect women.

There are currently 145 Athena SWAN members, holding 731 awards between them and include global members in Australia and the Republic of Ireland.

##### Race Equality Charter

The Race Equality Charter (REC) aims to improve the representation, progression and success of minority ethnic staff and students within higher education. Member institutions develop initiatives and solutions for action, and can apply for a Bronze or Silver REC award, depending on their level of progress.

There are currently 48 members and 10 award holders of the Race Equality Charter.

##### Governance support

Advance HE continues to support, chairs, governors and governance professionals through a number of dedicated skills development programmes, topical events, bespoke services and its resource library.

We had 706 participants attend our 27 governance events during 2017-18 and our free Governance news alert has over 1,600 subscribers.

Governance services have been designed and delivered in close collaboration with a wide range of sector partners, including the Committee of University Chairs, Universities UK, GuildHE, the National Union of Students, the Quality Assurance Agency, and the Association of Heads of University Administration.

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Leadership Development Programmes

Advance HE continues to support institutions to develop talent, and works with aspiring and established leaders to develop their skills, creating innovation through personal and organisational change.

Excluding Aurora a total of 734 people attended one of our 30 programmes and events.

Aurora is a unique initiative bringing together leadership experts and higher education institutions to take positive action to address the under-representation of women in leadership positions in the sector. During 2017-18 it received its largest participation to date, welcoming 1,146 women to the programme, from over 115 institutions. Over the past five years 4,613 women from over 171 institutions across the UK and Ireland have participated.

We engaged with 31 institutions to deliver 72 bespoke leadership programmes in-house with a good mix of repeat and new clients. We also delivered 46 strategic consultancy projects and 42 coaching assignments.

Our funder commissioned activity, supported by funding from OfS (HEFCE), HEFCW and DfE in Northern Ireland included additional governance, diversity and leadership development activities across 27 programmes and events. These were attended by 460 people.

Accreditation

We accredit HE providers' 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.

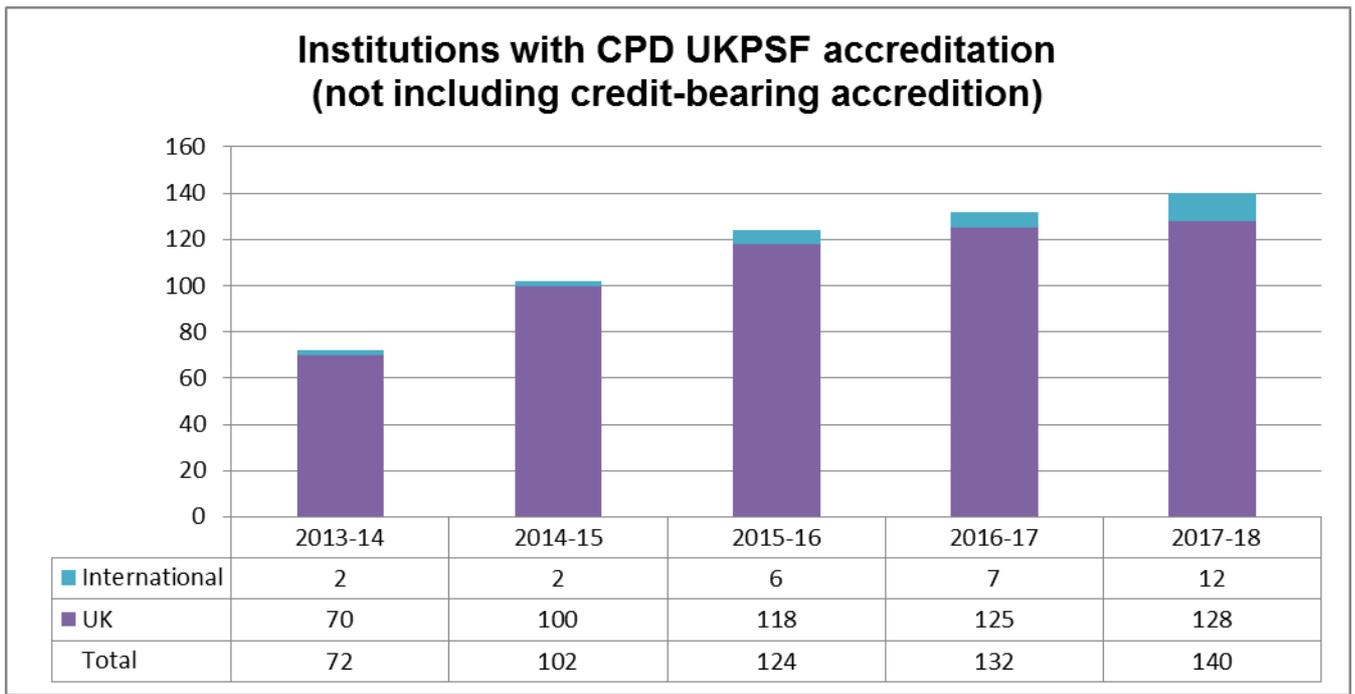
A total of 146 providers are now accredited (both credit-bearing and CPD provision), with 140 institutions having a CPD scheme accredited by the HEA (2016-17, 132). This includes 12 HE providers located outside the UK in Australia, Bahrain, China, Kenya, New Zealand, USA, and Thailand.

A review of accredited CPD schemes<sup>2</sup> 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 report a positive impact on students' experiences as evidenced in evaluations, improved National Student Survey (NSS) scores and student-led awards.

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<sup>2</sup> Annual Review of HEA accredited CPD schemes 2015-16, March 2017, <http://ow.ly/shmV30efCCD>

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**Student Surveys: Turning insight into advantage**

Three student surveys have been developed with the sector, to support the continuous improvement of students' academic experience. The surveys provide HE providers with valuable insights into how the undergraduate and postgraduate academic experience at their institution compares with that of others. They enable providers to identify opportunities to target or accelerate change so students get the most from their studies.

The Postgraduate Research Experience Survey (PRES), previously held once every two years was piloted annually for the first time in 2017-18. While this saw lower numbers of institutions participating it enabled those institutions a new opportunity to benchmark themselves against other providers to gain insight into their postgraduate research students' experiences. 83% found the HEA's Postgraduate Research Experience Survey (PRES), which captures over 50% of postgraduate researchers in the UK, useful in helping to drive enhancement of students' experiences<sup>3</sup>.

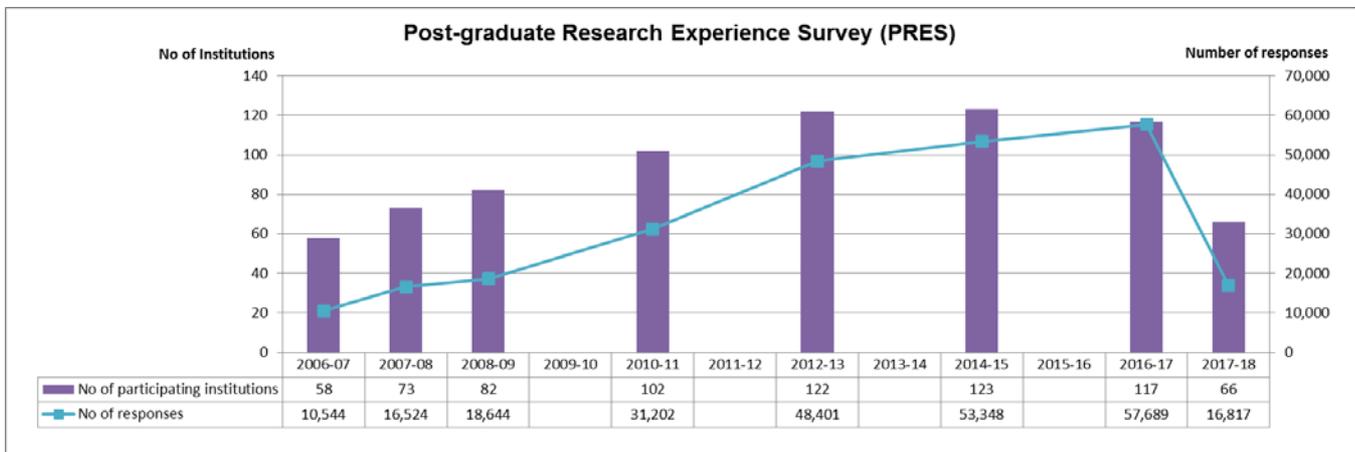
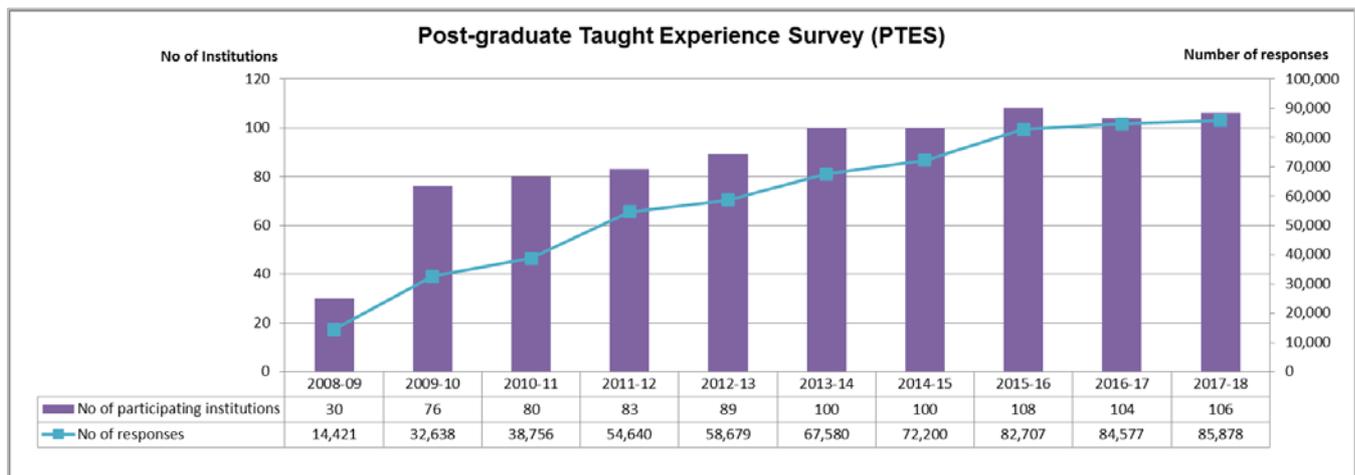
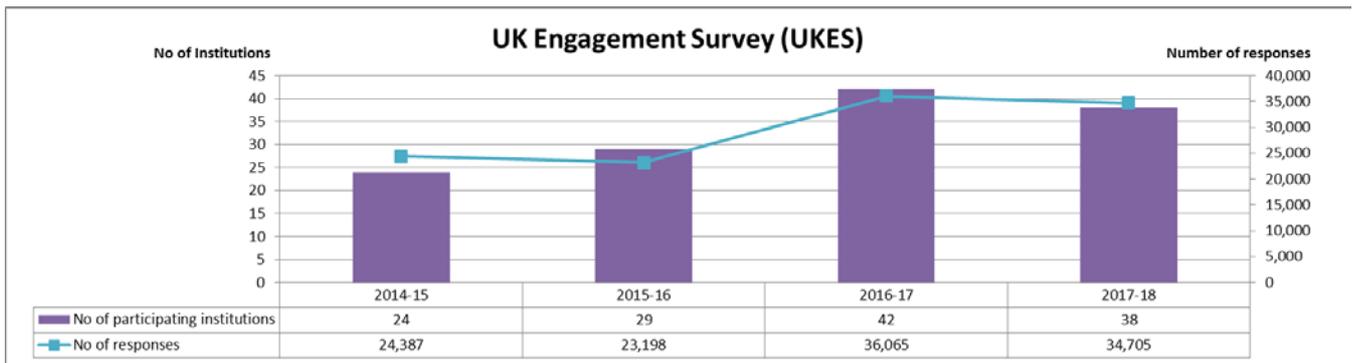
The UK Engagement Survey (UKES), continues to provide an alternative to other undergraduate surveys with its unique insights on students' academic experiences.

*"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

<sup>3</sup> HEA Survey Officers Feedback Survey, August 2017

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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 2018 survey<sup>4</sup>, in which more than 14,000 students took part, found evidence that students

<sup>4</sup> 2018 Student Academic Experience Survey, June 2018, <https://bit.ly/2MPh9Ok>

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perceive they are getting more value from their course with 3% improvement compared to last year's survey which reverses a five-year downward trend.

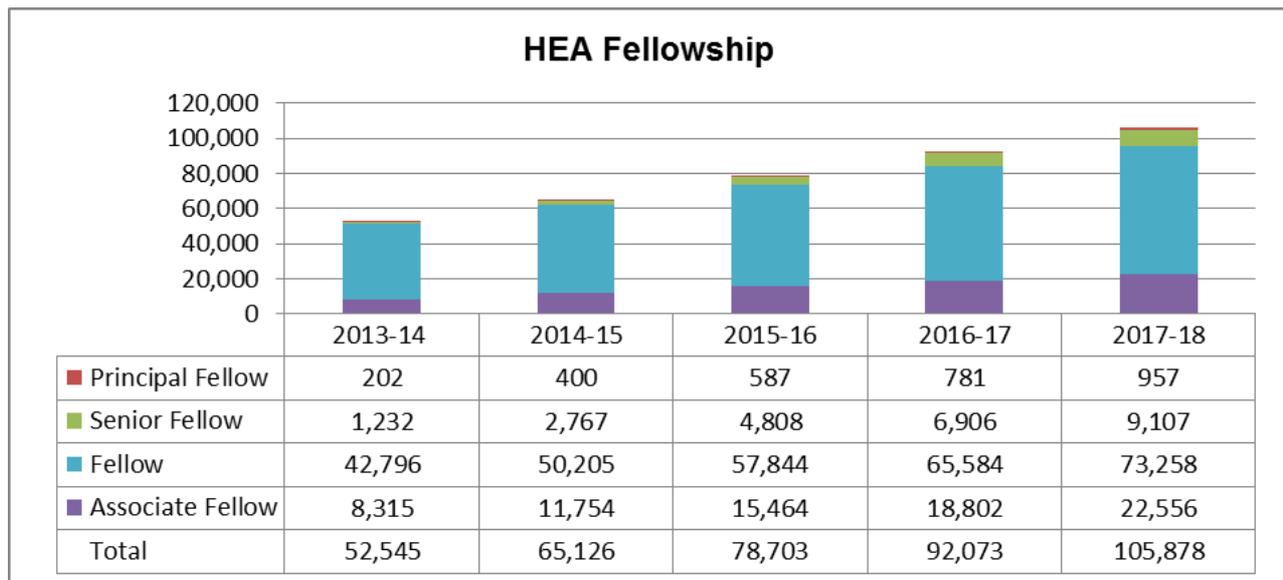
**Supporting individuals**

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 15% increase in the total number of HEA Fellows since 1 August 2017. With over 105,000 registered Fellows globally, across 82 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 practice<sup>5</sup>.



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

The National Teaching Fellowship Scheme (NTFS) celebrated and recognised 54 individuals in 2017-18 who made an outstanding impact on student outcomes and the teaching profession in higher education. Institutions in Scotland nominated entries for the

<sup>5</sup> Survey of HEA Fellows undertaken in October 2016, awarded Fellowship in previous 3 years.

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schemes for the first time this year, and five academics were awarded National Teaching Fellowships.

The Collaborative Award for Teaching Excellence (CATE) recognised and rewarded 15 teams for their collaborative work that has had a demonstrable impact on teaching and learning. This year, up to six of the 15 winning teams will receive an additional 'Spotlight Award' which highlights particular aspects of collaborative practice or the outcomes of collaborations from which the broader HE sector can benefit.

The Global Teaching Excellence Award (GTEA), introduced last year in association with Times Higher Education, recognises and celebrates institution-wide commitment to the pursuit of teaching excellence and is open to all providers of higher education worldwide. The award continues to receive a positive response from all over the world and in 2018 attracted expressions of interest from institutions based in 41 countries in the six permanently populated continents. All applications underwent a rigorous two-stage review and selection process which resulted in 16 finalists, five spotlight winners, and one overall winner, McMaster University.

#### Individual CPD support

Working with the sector, the Professional Learning Curve provided training and development opportunities for staff throughout their careers. From 1-day master-classes to 6-month programmes, approaches included mentoring, action learning sets and peer support to aid formal, informal and experiential learning.

Individuals were supported with the practical tools and skills to meet the needs of their students and institution in their roles. Programmes were also adapted and delivered as bespoke events to address a specific institution's needs.

In 2017-18, over 140 different events were held, with over 5,400 participants.

*“The Deans' Development Programme will be focused upon both the conceptual and practical aspects of maintaining a senior leadership role in a higher education environment. Deans will have a multitude of differing routes into their roles (and the concept of what a Dean is will vary considerably between institutions) and the programme needs to be sensitive to their backgrounds and common (and individual) circumstances.”*

(Professor Phil Cardew, Deputy Vice Chancellor, Leeds Beckett University – Programme Director)

#### Sharing good practice

Advance HE continues to make available resources to support individuals' practice through sharing resources and best practice guides via its website. Over 300 new resources have been made available, and have received over a million visits to the site during 2017-18.

### **b) Financial overview**

For the financial year ended 31 July 2018 there was a surplus of £2,210k (compared to a deficit of £672k in 2016-17). Expenditure increased by £3,049k (30.5%).

The financial results for the year are summarised below:

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	<b>2018</b>	<b>2017</b>	<b>Change</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>
Total Income	15,257	9,326	5,931	63.6
Total Expenditure	(13,047)	(9,998)	(3,049)	30.5
<b>Surplus/(Deficit)</b>	<b>2,210</b>	<b>(672)</b>	<b>2,882</b>	<b>428.9</b>

**Income**

The analysis of income is shown below:

	<b>2018</b>	<b>2017</b>	<b>Change</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>
Funding body grants	913	965	(52)	(5.4)
Institutional memberships	5,992	4,796	1,196	24.9
Other income	5,672	3,534	2,138	60.5
Investment income	32	31	1	3.2
Transfer of net assets	2,648	-	2,648	n/a
<b>Total Income</b>	<b>15,257</b>	<b>9,326</b>	<b>5,931</b>	<b>63.6</b>

Funding body grants

Funding body grants of £913k were received in 2017-18, a reduction of £52k (5.4%) on 2016-17.

Institutional subscriptions

Total income from institutional members was £5,992k (2016-17, £4,796k) and includes a proportion of the former ECU and LFHE membership income.

Other income

Advance HE generated other income of £5,672k (2016-17, £3,534k) via a number of additional activities including:

- individuals applying for HEA Fellowship through direct recognition based on their experience;
- staff development and change programmes including open and bespoke programmes formally run by the ECU and LFHE
- consultancy services for a number of Higher Education Institutions and Government bodies both within the UK and internationally.

Transfer of net assets

Income includes £2,648k in respect of the transfer of net assets from the Equality Challenge Unit and the Leadership Foundation for Higher Education. See notes 26 and 27.

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## Expenditure

Total expenditure increased by £3,049k (30.5%), this includes £1,306k of expenditure in respect of merging the three entities.

	<b>2018</b>	<b>2017</b>	<b>Change</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>
Staff costs	6,611	5,070	1,541	30.4
Other operating expenses	6,291	4,749	1,542	32.5
Depreciation	94	135	(41)	(30.4)
Interest and other finance costs	51	44	7	15.9
<b>Total Expenditure</b>	<b>13,047</b>	<b>9,998</b>	<b>3,049</b>	<b>30.5</b>

## Balance sheet and liquidity

Reserves at 31 July 2018 are £4,765k (2016-17, £2,555k). This includes restricted reserves of £271k.

## Cashflow

	<b>£000</b>
Cash at bank and in hand at 1 August 2017	6,607
Surplus for the year	2,210
Adjustment for non-cash movements included in surplus	94
Adjustment for changes in working capital	2,002
Capital expenditure	(47)
Net cash movement	4,259
Cash at bank and in hand at 31 July 2018	10,866

There was a net inflow of cash of £4,259k (2016-17, outflow of £472k) leaving Advance HE with a cash position of £10,866k at the year end.

## Future plans

2018-19 is a transitional year for Advance HE as it establishes itself as a new organisation within the sector and brings together the services of its three legacy agencies into a single offer.

In 2018-19, Advance HE will be designing a new membership model and will be consulting with the sector to ensure we continue to be responsive to sector need whilst tailoring the offer to the diverse range of higher education providers in the UK and globally.

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Meanwhile, Advance HE will be developing a three-year strategic plan based on consultation during 2018-19 to inform the services that we should offer in the future.

Advance HE will adopt a consultative approach that is focused on helping our members to address the issues that matter most to them. This will ensure that Advance HE's work is directly relevant to our members' needs, and to help members understand and prepare for the challenges they may face in the future. This approach will engage the sector in actively shaping Advance HE's activity and the future direction of the organisation.

## **Principal risks**

Advance HE 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 and their management during 2017-18:

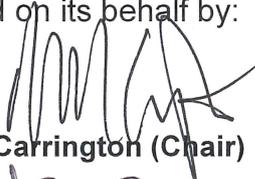
- Stakeholders – continued to communicate with members to reduce any potential ambiguity created by UUK's Bell Review recommending the merger of the three predecessor agencies.
- Staff – regular consultation and communication with staff to minimise uncertainty created by the merger process to reduce staff turnover and maintain staff morale and well-being.
- Delivery of services during 2017-18 – continually monitoring by the Executive and Board to ensure delivery of business as usual was not affected by the merger process.

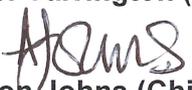
## **Going concern**

The Board have received reports on non-financial indicators which are of significance to longer term financial sustainability.

The Board has also approved the business plan, financial forecasts and the required reserve levels and is satisfied that Advance HE will operate in a financially sustainable manner. The Board considers that Advance HE 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 Trustees annual report has been approved by the board on 21 February 2019 and signed on its behalf by:

  
Nigel Carrington (Chair)

  
Alison Johns (Chief Executive)  
21 February 2019

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## **Statement of principal accounting policies**

### **Company information**

With effect from 26 March 2018 the name of the charity was changed from the Higher Education Academy to Advance HE. It remains a registered charity and company limited by guarantee. The registered office is Innovation Way, York Science Park, Heslington, York, YO10 5BR. The country of incorporation is England.

### **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). Advance HE is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102.

### **Going concern**

The Board has approved the business plan, financial forecasts and the required reserve levels and is satisfied that Advance HE will operate in a financially sustainable manner. The Board considers that Advance HE 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.

### **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 Memberships**

Institutional Memberships 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.

#### **Investment Income**

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

#### **Business Combinations**

Advance HE took over the assets and liabilities of the Equality Challenge Unit and the Leadership Foundation for Higher Education on 31 March 2018. The assets and liabilities of

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ECU and LFHE were transferred at their fair value and recognised as income. No consideration was paid.

## **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**

Advance HE participates in Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. 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 wholly defined contribution scheme. As a result, the amount charged to the profit and loss 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.

## **Intangible assets**

Intangible assets are capitalised where they are capable of being used for a period that exceeds one year.

## **Depreciation**

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

Leasehold improvements	-	over the period of the lease
Equipment	-	three years
Computer equipment	-	three years
Furniture and fittings	-	five years

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## **Amortisation**

Intangible assets transferred from ECU are being amortised over their remaining estimated useful life at the date of transfer of 12 months.

## **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.

Advance HE 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 Advance HE 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**

Advance HE 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, Advance HE 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.

Advance HE receives no similar exemption in respect of Value Added Tax.

## **Reserves**

During the year Advance HE's reserves policy was reviewed and a target level of reserves of three months of expenditure was agreed. This would be increased to a six month position in the future. This policy allows directors to meet their obligations under the Companies Act and to comply with Charity Commission guidance.

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The reserves include restricted reserves transferred from the Equality Challenge Unit and the Leadership Foundation for Higher Education. These are detailed in note 24.

Advance HE 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

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**Statement of financial activities (incorporating the income and expenditure account) for the year ended 31 July 2018**

	Notes	Restricted £000	Unrestricted £000	Total 2018 £000	Total 2017 £000
<b>Income</b>					
Funding body grants	2	43	870	<b>913</b>	965
Other income	3	-	11,664	<b>11,664</b>	8,330
Investment income	4	-	32	<b>32</b>	31
Transfer of net assets from ECU		168	(91)	<b>77</b>	-
Transfer of net assets from LFHE		413	2,158	<b>2,571</b>	-
<b>Total income</b>		<u>624</u>	<u>14,633</u>	<b><u>15,257</u></b>	<u>9,326</u>
<b>Expenditure</b>					
Staff costs	5	(141)	(6,470)	<b>(6,611)</b>	(5,070)
Other operating expenses	7	(212)	(6,079)	<b>(6,291)</b>	(4,749)
Depreciation and Amortisation	9, 10	-	(94)	<b>(94)</b>	(135)
Interest and other finance costs	8	-	(51)	<b>(51)</b>	(44)
<b>Total expenditure</b>		<u>(353)</u>	<u>(12,694)</u>	<b><u>(13,047)</u></b>	<u>(9,998)</u>
<b>Surplus/(Deficit) for the year</b>		271	1,939	<b>2,210</b>	(672)
Fund balances brought forward		-	2,555	<b>2,555</b>	3,227
<b>Fund balances carried forward</b>		<u>271</u>	<u>4,494</u>	<b><u>4,765</u></b>	<u>2,555</u>

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

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

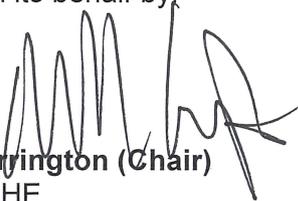
The accompanying accounting policies and notes form an integral part of these financial statements.

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**Balance sheet as at the 31 July 2018**

	Notes	2018 £000	2017 £000
<b>Fixed assets</b>			
Tangible assets	9	29	98
Intangible assets	10	22	-
		51	98
<b>Current assets</b>			
Debtors	11	5,201	2,305
Cash at bank and in hand		10,866	6,607
		16,067	8,912
Creditors: amounts falling due within one year	12	(9,990)	(5,463)
<b>Net current assets</b>		<b>6,077</b>	<b>3,449</b>
<b>Total assets less current liabilities</b>		<b>6,128</b>	<b>3,547</b>
Provisions for liabilities	13	(1,363)	(992)
<b>NET ASSETS</b>		<b>4,765</b>	<b>2,555</b>
<b>Reserves</b>			
I & E reserve	24	4,494	3,227
Restricted Reserves		271	(672)
<b>TOTAL RESERVES</b>		<b>4,765</b>	<b>2,555</b>

The financial statements on pages 20 to 34 were approved by the Board on 21 February 2019 and were signed on its behalf by:

  
**Nigel Carrington (Chair)**  
 Advance HE  
 Company number 04931031

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

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## Statement of cashflows for the year to 31 July 2018

	<b>Notes</b>	<b>2018</b>	<b>2017</b>
		<b>£000</b>	<b>£000</b>
<b>Cash flows from operating activities</b>	15	<b>4,292</b>	(431)
Cash flows from investing activities	16	<b>14</b>	(13)
Cash flows from financing activities	17	<u><b>(47)</b></u>	<u>(28)</u>
<b>Change in cash and cash equivalents in the reporting period</b>		<u><b>4,259</b></u>	<u>(472)</u>
 <b>Reconciliation of net cash flow to movement in net funds</b>			
Increase / (Decrease) in cash in the year	18	<b>4,259</b>	(472)
Change in net debt resulting from cash flows		<u>-</u>	<u>-</u>
<b>Movement in net funds in the year</b>		<b>4,259</b>	(472)
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<u><b>6,607</b></u>	<u>7,079</u>
<b>Cash and cash equivalents at the end of the reporting period</b>		<u><b>10,866</b></u>	<u>6,607</u>

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

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## 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 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 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 6 months were reviewed and a judgement made as to the level of provision required on a case by case basis.

### 2. Funding body grants

	<b>2018 £000</b>	2017 £000
Higher Education Funding Council for England	<b>640</b>	627
Scottish Funding Council	<b>171</b>	23
Higher Education Funding Council for Wales	<b>44</b>	30
Department for Employment and Learning	<b>15</b>	5
Department for Business, Innovation & Skills (BIS)	-	43
Department for Culture, Media and Sport	-	209
Higher Education Authority, Ireland	<b>43</b>	-
Other	-	28
	<b>913</b>	965

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**3. Other Income**

	<b>2018 £000</b>	2017 £000
Institutional memberships	<b>5,992</b>	4,796
Other income	<b>5,672</b>	3,534
	<b><u>11,664</u></b>	<u>8,330</u>

**4. Investment income**

	<b>2018 £000</b>	2017 £000
Interest receivable	<b>32</b>	31
	<b><u>32</u></b>	<u>31</u>

**5. Staff**

	<b>2018 £000</b>	2017 £000
Staff costs for the above persons:		
Wages and salaries	<b>5,622</b>	4,080
Social security costs	<b>514</b>	431
Movement on USS provision	<b>(297)</b>	(58)
Pension costs	<b>772</b>	617
	<b><u>6,611</u></b>	<u>5,070</u>

Severance payments made in relation to the merging of entities during 2017-18 and included above are £705k (2016-17, £63k).

Emoluments of the Chief Executives:

	<b>2018 £000</b>	2017 £000
Salary	<b>149</b>	164
Performance related	<b>18</b>	11
Benefits in kind	<b>1</b>	3
Pension Contributions	<b>12</b>	-
Total emoluments	<b><u>180</u></b>	<u>178</u>

There were three Chief Executives who served during the year. The above represents their combined emoluments in the year.

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

	<b>2018</b>	2017
	<b>£000</b>	£000
£60,000 to £69,999	<b>5</b>	5
£70,000 to £79,999	-	1
£80,000 to £89,999	<b>3</b>	2
£90,000 to £99,999	-	-
£100,000 to £109,999	-	-
£110,000 to £119,999	-	1
£120,000 to £129,999	-	-
£130,000 to £139,999	-	-
£140,000 to £149,999	<b>1</b>	-
£150,000 to £159,999	-	-
£160,000 to £169,999	-	-
£170,000 to £179,999	-	1
	<u><b>9</b></u>	<u>10</u>

The emoluments of the three Chief Executives who served during the year have been combined and represented accordingly in the table above.

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

	<b>2018</b>	2017
	<b>No.</b>	No.
Services	<b>41</b>	41
Disciplines	<b>14</b>	6
Professional Practice	<b>19</b>	15
Marketing	<b>9</b>	9
Overheads	<b>27</b>	22
	<u><b>110</b></u>	<u>93</u>

2017-18 payroll costs and average full-time equivalent numbers reflect staffed operations throughout the merger.

## **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 Advance HE and comprises all members of the Executive of the HEA and Advance HE. The total employee benefits of the key management personnel were £780k (2016-17: £752k). The remuneration of the key management personnel is determined by the Remunerations Committee.

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**7. Other operating expenses**

	<b>2018 £000</b>	2017 £000
Operational costs	<b>3,213</b>	2,399
Indirect staff costs	<b>45</b>	136
Rent and rates	<b>501</b>	435
Travel and subsistence	<b>706</b>	670
Postage, printing, stationery and telephone	<b>163</b>	99
Professional fees	<b>107</b>	125
Office equipment and computer maintenance	<b>309</b>	495
General expenses	<b>89</b>	36
Public relations and marketing	<b>514</b>	288
Recruitment costs	<b>42</b>	66
Costs of merging entities	<b>602</b>	-
	<b>6,291</b>	4,749

	<b>2018 £000</b>	2017 £000
Other operating expenses include:		
Auditor's remuneration		
- External auditor's remuneration in respect of audit services	<b>37</b>	32
- External auditor's remuneration in respect of non-audit services	<b>13</b>	23
Hire of buildings – operating leases	<b>382</b>	320

**8. Interest and other finance costs**

	<b>2018 £000</b>	2017 £000
Bank charges	<b>33</b>	24
Finance cost of USS pension	<b>18</b>	20
	<b>51</b>	44

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**9. Tangible fixed assets**

	Leasehold Improvements £000	Computer equipment £000	Equipment £000	Fixtures & fittings £000	Total £000
<b>Cost or valuation</b>					
Opening balance	-	821	7	464	1,292
Additions	-	3	-	-	3
Disposals	-	(1)	-	(2)	(3)
Transferred from ECU & LFHE	10	1	-	-	11
At 31 July 2018	10	824	7	462	1,303
<b>Depreciation</b>					
Opening balance	-	737	7	450	1,194
Provision for the period	3	75	-	5	83
Disposals	-	(1)	-	(2)	(3)
At 31 July 2018	3	811	7	453	1,274
<b>Net book value</b>					
At 31 July 2018	7	13	-	9	29
<b>Net book value</b>					
At 31 July 2017	-	84	-	14	98

**10. Intangible Assets**

	Computer system £000
<b>Cost or valuation</b>	
Opening balance	-
Additions	-
Disposals	-
Transferred from ECU & LFHE	33
At 31 July 2018	33
<b>Amortisation</b>	
Opening balance	-
Provision for the period	11
Disposals	-
At 31 July 2018	11
<b>Net book value</b>	
At 31 July 2018	22
<b>Net book value</b>	
At 31 July 2017	-

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**11. Debtors**

	<b>2018 £000</b>	2017 £000
Amounts falling due within one year:		
Debtors	<b>4,245</b>	2,013
Other debtors	<b>85</b>	8
	<b>4,330</b>	2,021
Deferred costs	<b>86</b>	30
Prepayments	<b>382</b>	166
Accrued income	<b>403</b>	88
	<b>5,201</b>	2,305

**12. Creditors: amounts falling due within one year**

	<b>2018 £000</b>	2017 £000
Trade creditors	<b>752</b>	96
Other tax and social security	<b>459</b>	206
Accruals and Deferred Income	<b>8,779</b>	5,161
	<b>9,990</b>	5,463

**13. Provisions for liabilities**

	<b>2018 £000</b>	<b>2017 £000</b>
<b>Obligation to fund past deficit on USS pension scheme:</b>		
As at 1 August 2017	992	1,030
Transferred from ECU & LFHE (see notes 26 and 27)	649	-
Utilised in the year	(278)	(38)
At 31 July 2018	<b>1,363</b>	<b>992</b>

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## 14. Restricted Funds

The funds of the charity include restricted funds comprising the following unexpended balances of grants held on trust to be applied for specific purposes:

	At 1 August 2017 £000	Transfers to AHE £000	Income £000	Expenditure £000	At 31 July 2018 £000
<u>Transfers from the ECU:</u>					
Athena SWAN					
HEA Ireland	-	127	43	(35)	135
AAS Australia	-	36	-	(28)	8
JRCT	-	5	-	-	5
<u>Transfers from the LFHE:</u>					
Changing the Learning Landscape	-	22	-	-	22
Innovation and Transformation	-	13	-	(3)	10
Funder commissioned	-	378	-	(286)	92
	-	<b>581</b>	<b>43</b>	<b>(352)</b>	<b>272</b>

## 15. Reconciliation of consolidated operating surplus/deficit to net cash flow from operating activities

	2018 £000	2017 £000
<b>Surplus/(Deficit) for the year</b>	<b>2,210</b>	<b>(672)</b>
Depreciation and Amortisation (note 9 and 10)	94	135
(Increase)/decrease in debtors (note 11)	<b>(2,896)</b>	733
Increase/(decrease) in creditors (note 12 & 13)	<b>4,898</b>	(640)
Interest receivable (note 4)	<b>(32)</b>	(31)
Interest payable and similar charges (note 8)	<b>51</b>	44
Net cash inflow/(outflow) from operating activities	<b>4,325</b>	<b>(431)</b>

## 16. Returns on investments and servicing of finance

	2018 £000	2017 £000
Interest receivable	<b>32</b>	31
Interest payable and similar charges	<b>(51)</b>	(44)
Net cash outflow from returns on investments and servicing of finance	<b>(19)</b>	<b>(13)</b>

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## 17. Capital expenditure and financial investment

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Capital expenditure	(3)	(28)
Transfer of assets from ECU & LFHE	(44)	-
Net cash outflow from capital expenditure and financial investment	<u>(47)</u>	<u>(28)</u>

## 18. Analysis of changes in net funds

	At 1 August 2017 £000	Cashflow £000	At 31 July 2018 £000
Cash at bank and in hand	6,607	4,259	10,866
Total	<u>6,607</u>	<u>4,259</u>	<u>10,866</u>

## 19. Pensions and similar obligations

The total cost charged to the profit and loss account is £772k (2017: £617k).

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is 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 but not yet completed.

Since the institution cannot identify its share of Retirement Income Builder Section of the Scheme assets and liabilities, the following disclosures reflect those relevant for the section 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 Scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. These figures will be revised once the 2017 Scheme Valuation is complete.

Defined benefit liability numbers for the Scheme for accounting purposes have been produced using the following assumptions as at 31 March 2017 and 2018.

	2018	2017
Discount rate	2.64%	2.57%
Pensionable salary growth	n/a	n/a
Price inflation (CPI)	2.02%	2.41%

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated

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analysis of the Scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	<b>2018</b>	<b>2017</b>
Mortality base table	<u>Pre-retirement:</u> 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.	98% of SAPS S1NA "light" YOB unadjusted for males.
	<u>Post retirement:</u> 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.	99% of SAPS S1NA "light" YOB with a -1 year adjustment for females.
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.	CMI_2014 with a long term rate of 1.5% p.a.

The current life expectancies on retirement at age 65 are:

	<b>2018</b>	<b>2017</b>
Males currently aged 65 (years)	24.5	24.4
Females currently aged 65 (years)	26.0	26.6
Males currently aged 45 (years)	26.5	26.5
Females currently aged 45 (years)	27.8	29.0

	<b>2018</b>	<b>2017</b>
Scheme assets	£63.6bn	£60.0bn
Total Scheme liabilities	£72.0bn	£77.5bn
FRS 102 total Scheme deficit	£8.4bn	£17.5bn
FRS 102 total funding level	88%	77%

## **20. Capital commitments**

There were no capital commitments contracted for at 31 July 2018 (2017: £nil).

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## **21. Financial commitments**

At 31 July 2018 Advance HE had total commitments under non-cancellable operating leases as follows:

	<b>2018</b>	2017
	<b>£000</b>	£000
<b>Future minimum lease payments due:</b>		
Not later than 1 year	<b>550</b>	275
Later than 1 year and not later than 5 years	<b>1,392</b>	1,099
Later than 5 years	<b>880</b>	1,132
	<b>2,822</b>	2,506

There is one property with 8½ years of a 25 year lease remaining. There is a break clause on this property in 2½ years which mitigates any risk.

## **22. Contingent liabilities**

There were no contingent liabilities at 31 July 2018 (2017: £nil).

## **23. Related party transactions**

Due to the nature of Advance HE'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 Advance HE may have an interest. All transactions involving organisations in which a director of the Board or a member of Advance HE may have an interest are conducted at arms' length and in accordance with Advance HE'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 Advance HE may have an interest.

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

<b>Director/Trustee</b>	<b>Institution</b>	<b>Receipts to the institution £000</b>	<b>Payments to the institution £000</b>	<b>Owed to (Owed from) £000</b>
Professor R Thirunamachandran	Canterbury Christchurch University	9	-	-
A Carey	Cranfield University	-	-	(22)
Professor A Forster	University of Essex	1	-	(52)
Professor J Last	Norwich University of the Arts	12	-	(9)
Professor A Neill	University of Southampton	3	28	(66)
J Robinson	Brunel University	-	-	(43)
Professor R Bunting	Buckinghamshire New University	29	5	(35)
Professor J Kay	University of Exeter	79	1	(19)
Professor G Layer	University of Wolverhampton	54	5	(52)
N. Carrington	London University of the Arts	65	-	(66)
S Marston	University of Gloucester shire	28	-	-
Professor C Riordan	Cardiff University	111	-	(72)
Professor N Seaton	Abertay University	28	-	(7)
Professor E Simmons	Nottingham Trent University	99	-	(101)

## 24. Reserves

	<b>I &amp; E reserve £000</b>	<b>Restricted Funds £000</b>	<b>Total £000</b>
As at 31 July 2017	<b>2,555</b>	-	<b>2,555</b>
Surplus for the period	1,939	271	2,210
At 31 July 2018	<b>4,494</b>	<b>271</b>	<b>4,765</b>

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**25. Financial instruments**

	<b>Year ended 31 July 2018 £000</b>	Year ended 31 July 2017 £000
Financial assets that are debt instruments measured at amortised cost:		
Trade and other debtors	4,331	2,022
Accrued Income	402	88
	4,733	2,110
Financial liabilities measured at amortised cost:		
Trade and other creditors	2,780	819

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.

**26. Transfer from the Equality Challenge Unit**

On 31 March 2018 the activities, together with the related assets, reserves and liabilities of the Equality Challenge Unit transferred to Advance HE at fair value. The transferred assets and liabilities are as follows:

	<b>£000</b>
Tangible fixed assets	10
Intangible fixed assets	33
Debtors	671
Cash at bank and in hand	785
Creditors	(1,143)
Provision for liabilities	(279)
	<b>77</b>

The above transfer comprised £168k of restricted funds and a deficit unrestricted fund balance of £91k.

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## **27. Transfer from the Leadership Foundation for Higher Education**

On 31 March 2018 the activities, together with the related assets, reserves and liabilities of the Leadership Foundation for Higher Education transferred to Advance HE at fair value. The transferred assets and liabilities are as follows:

	<b>£000</b>
Debtors	1,018
Cash at bank and in hand	4,054
Creditors	(2,131)
Provision for liabilities	(370)
	<hr/> <b>2,571</b> <hr/>

The above transfer comprised £413k of restricted funds and £2,158k of unrestricted funds.

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## **Corporate Governance and Internal Control Statement**

Advance HE is a registered charity and was incorporated as a company limited by guarantee on 14 October 2003. Advance HE 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 Advance HE has applied this guidance. Its purpose is to help the reader of the accounts understand how the principles have been applied.

Advance HE 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 up to the point of the merger on 31 March 2018. At this point Mr Nigel Carrington became Chair of the Advance HE Board.

The Board of Directors, which meets formally four times a year, is responsible for Advance HE'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 Advance HE together with other information such as performance against targets, and proposed capital expenditure.

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 Advance HE'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.

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

Any new appointments to the Board are a matter for the consideration of the Board as a whole.

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The Board conducts its business through a number of committees: Finance, Audit and Risk (pre-merger these responsibilities were split between Finance Committee and Audit Committee); Governance and Nominations, Remuneration; and Equality, Diversity and Inclusion. Each committee has terms of reference, reviewed annually and approved by the Board. The decisions of these committees are formally reported to the Board.

As part of the merger, the Advance HE Board agreed terms of reference for the following committee's that come into effect at the start of the academic year 2018-19.

### **Governance and Nominations Committee**

The Governance and Nominations Committee meets at least once a year and was chaired by Professor Rama Thirunamachandran as Chair of the Board until the point of the merger at which Mr Nigel Carrington became Chair. A further four Board Directors comprise the committee, two of whom are representatives of UUK and GuildHE. The committee is responsible for the selection and nomination of any new member for the Board's consideration. An interim Governance and Nominations Committee has been in place during the merger transition period consisting of five members including the Chair of the Board and one member from each of the previous agencies.

### **Audit, Finance and Risk Committee**

The Audit Committee meets at least four times a year. Pre-merger the Audit Committee was chaired by Professor Rebecca Bunting and the Finance Committee by Mr John Robinson. A new Chair will be nominated once there is a full complement of Board members. The committee will be comprised of up to five members, two of whom if the committee considers it necessary for particular skills and experience can be co-optees. In addition, the external auditors attend all meetings. The committee is responsible for advising the Board on the following key issues:

#### **Audit and Risk**

- + 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.

#### **Financial matters**

- + consideration and formulation of the finance planning for the organisation, including the recommendation of an annual budget and medium-term financial forecast;
- + the financial health and solvency of Advance HE, including the safeguarding of its assets;
- + oversight of key financial policies and frameworks including the financial regulations .

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

The Audit Committee will advise 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.

### **Remuneration Committee**

The Remuneration Committee meets at least once a year and was chaired by Professor Janice Kay up to the point of merger. A new Chair will be nominated once there is a full complement of Board members. The committee comprises the Chair of the Board, Vice-Chair, Chair of Audit, Finance and Risk Committee and one other Board Director. The committee has delegated authority to review the performance of the Chief Executive and 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.

### **Equality, Diversity and Inclusion Committee**

The Equality, Diversity and Inclusion Committee is a new Advance HE committee that will meet four times per year. A Chair will be nominated once there is a full complement of Board members. There will be a minimum of two Board members on the committee. The Committee if it chooses to do so co-opt particular expertise from outside the membership of the Board of Directors. It has responsibility for providing the strategic direction on all aspects of Advance HE's EDI work.

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 Advance HE'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 Advance HE'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.

#### Capacity to handle risk

The Board has reviewed the key risks to which the Advance HE 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 Advance HE's significant risks has been in place throughout the year and up to the date of

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approval of the annual report and accounts, and a process for identifying, evaluating and managing operational risks has been developed.



**Nigel Carrington (Chair)**



**Alison Johns (Chief Executive)**  
21 February 2019

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## **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 Advance HE 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 Advance HE will continue in operation;
- + safeguard the assets of the company and take reasonable steps for the prevention and detection of fraud and other irregularities.

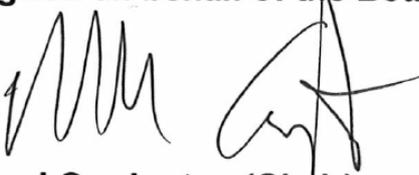
Directors and trustees must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, directors and trustees are responsible for securing economical, efficient and effective management of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



**Nigel Carrington (Chair)**  
**Company No. 04931031**  
**21 February 2019**

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## **Independent Auditor's Report to the members of Advance HE**

### **Opinion**

We have audited the financial statements of Advance HE for the year ended 31 July 2018 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 2018 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.

### **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 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

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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 14 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.

**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

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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.

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](http://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

**21 February 2019**

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

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## **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.

### **HEA Directors standing down on 31 March 2018 at the point of merger**

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

Anthony Carey, Partner, Mazars LLP

Professor Anthony Forster, Vice Chancellor, University of Essex

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

Professor Alex Neill, Vice President (Education), University of Southampton

Sara Parkin, Founding Director of Forum for the Future

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

John Robinson, Finance Director, Brunel University

### **HEA Directors that continued on the Advance HE Board**

Professor Rebecca Bunting, Vice-Chancellor, Buckinghamshire New University

Amatey Doku, Vice President, National Union of Students

Professor Janice Kay, Provost, University of Exeter

Professor Geoff Layer, Vice Chancellor, University of Wolverhampton

### **Board members appointed on 31 March 2018 to the Advance HE Board**

Mr Nigel Carrington, Vice-Chancellor, London University of the Arts

Mr Stephen Marston, Vice Chancellor, University of Gloucestershire

Professor Colin Riordan, President and Vice-Chancellor, Cardiff University

Professor Nigel Seaton, Vice Chancellor, Abertay University

Professor Eunice Simmons, Deputy Vice Chancellor (Academic), Nottingham Trent University

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 23 to the financial statements.

### **Auditors**

Grant Thornton were reappointed as external auditors from 2014-15 for a 3-year period. The Audit Committee agreed that due to the merger process being undertaken in 2017-18 that they would be extended for a further year as they were familiar with the situation and could provide continuity during the transitional period. A tender process for external auditors will be undertaken in 2018-19.

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**Professional advisers**

External auditors:  
Grant Thornton UK LLP  
Statutory Auditor  
Whitehall Riverside  
Leeds  
LS1 4BN

**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

Close Bros Treasury  
4<sup>th</sup> Floor  
10 Crown Place  
London  
EC2A 4FT

The Co-operative bank  
City Office  
80 Cornhill  
London  
EC3V 3NJ

The Co-operative bank  
PO Box 250  
Skelmersdale  
WN8 6WT

**Solicitors**

DAC Beachcroft LLP  
100 Fetter Lane  
London  
EC4A 1BN

Lupton Fawcett LLP  
Yorkshire House  
East Parade  
Leeds  
LS1 5BD

Bond Dickinson  
St Ann's Wharf  
112 Quayside  
Newcastle upon Tyne  
NE1 3DX

Mills and Reeves  
9<sup>th</sup> Floor  
1 New York Street  
Manchester  
M1 4HD

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Eversheds Sutherland  
(International) LLP  
1 Wood Street  
London  
EC2V 7WS

Aaron & Partners LLP  
Cannon Court North  
Abbey Lawn  
Shrewsbury  
SY2 5DE

Pinsent Masons  
30 Crown Place  
Earl Street  
London  
EC2A 4ES

Trowers and Hamlin  
Sceptre Court  
40 Tower Hill  
London  
EC3N 4DX

Brooks Street Des Roches LLP  
25a Western Avenue  
Milton Park  
Abingdon  
Oxfordshire  
OX14 4SH

Bates Wells Braithwaite  
10 Queen Street  
London  
EC4R 1BE

**Executive**

Professor Stephanie Marshall, Chief Executive Officer (to 31 January 2018)

Alison Johns, Chief Executive Officer (from 1 April 2018)

Dr Mark Jones, Chief Operating Officer (to 31 July 2018)

Olivia Fleming, Director of Partnerships (to 31 July 2018)

Simon Jones, Director of Engagement (to 31 July 2018)

Hannah Purkis, Company Secretary

Kathryn Harrison-Graves, Director of Membership and Accreditation (from 23 July 2018)

Gary Loke, Director of Knowledge, Insights, Innovation and Delivery (from 23 July 2018)

Andy Shenstone, Director of Business Development and Delivery (from 23 July 2018)

Tracey Bell Reeves, Director of Programmes and Events (from 23 July 2018)

Sarah Threadgold, Director of Finance and Resources (from 23 July 2018)

Kat Hunt, Associate Director of Marketing and Communications (from 23 July 2018)

The above changes reflect the outcomes of the merger process and the appointment of a new Executive team as a result from existing staff across the three legacy agencies.