

# **The Association of Commonwealth Universities**

**Annual report and financial statements**

**31 July 2013**

**Charity Registration No. 314137**

# **The Association of Commonwealth Universities**

## **Annual report and financial statements 2013**

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# The Association of Commonwealth Universities

## Officers and professional advisers

### Council members

Chair:	Professor Olive Mugenda (Kenyatta University, Kenya) (from 15 October 2013) Professor Eon Nigel Harris (University of the West Indies) (to 15 October 2013)
Vice-Chair:	Professor Jan Thomas (University of Southern Queensland, Australia) (from 15 October 2013) Professor Madeleine Atkins (Coventry University) (resigned 16 September 2013)
Honorary Treasurer:	Professor James McWha
Other members:	Professor Stephen Toope (University of British Columbia, Canada) Professor Sir Peter Gregson (Queen's University Belfast, UK) Professor John C Y Leong (The Open University of Hong Kong)
To 31 July 2013	Engineer Muhammad Asghar (National University of Science and Technology, Pakistan) Dr Pankaj Chande (Kavikulaguru Kalidas Sanskrit University, India) Professor L. V. Mazwi Tanga (Cape Peninsula University of Technology, South Africa) Professor K. Nandasena (Rajarata University, Sri Lanka) Professor Ishaq O. Oloyede (University of Ilorin, Nigeria) Professor Dr Abdul Matin Patwari, (The University of Asia Pacific, Bangladesh) Professor Ihron Rensburg (University of Johannesburg, South Africa) Professor Pat Walsh (Victoria University of Wellington, New Zealand)
From 1 August 2013	Dr Syed Muhammad Junaid Zaidi (COMSATS Institute of Information Technology, Pakistan) Dr Dinesh Singh (University of Delhi, India) Professor Bishnu Charan Barik (Sambalpur University, India) Professor Richard Higgott (Murdoch University, Australia) Professor Idris Rai (State University of Zanzibar, Tanzania) Professor Isaac F Adewole (University of Ibadan, Nigeria) Professor Dr A A M S Arefin Siddique, (University of Dhaka, Bangladesh) Professor Cheryl de la Rey (University of Pretoria, South Africa) Professor Roy Crawford (The University of Waikato, New Zealand) Dato' Seri Professor Mushkuri Yaacob (Universiti Tenaga Nasional, Malaysia)

### Audit Committee members

Chair:	Professor Sir Peter Gregson (Queen's University, Belfast, UK)
Other members:	Professor John C Y Leong (The Open University of Hong Kong) Mr Graeme Appleby (Finance Director, School of Oriental & African Studies, independent member)

# **The Association of Commonwealth Universities**

## **Officers and professional advisers - continued**

### **Secretary General**

Professor John Wood CBE FREng

### **Principal place of business**

Woburn House  
20-24 Tavistock Square  
London WC1H 9HF

### **Bankers**

National Westminster Bank plc  
PO Box 83  
Tavistock House  
Tavistock Square  
London WC1H 9XA

### **Investment managers**

Newton Investment Management Limited  
160 Queen Victoria Street  
London EC4V 4LA

Sarasin & Partners LLP  
Juxon House  
100 St Paul's Churchyard  
London EC4M 8BU

### **Investment custodians**

The Bank of New York – London branch  
1 Canada Square  
London E14 5AL

### **Auditors**

Crowe Clark Whitehill LLP  
St Bride's House  
10 Salisbury Square  
London EC4Y 8EH

# **The Association of Commonwealth Universities**

## **Council's Report**

### **Status**

The Association of Commonwealth Universities (ACU) was founded in 1913, and is now a registered charity (number 314137 in England & Wales). It is controlled by its member institutions through an elected Council.

The ACU was granted its Royal Charter in 1963 and is currently governed by the Royal Charter, Bye-Laws and Regulations dated 17 June 1963 and last amended on 13 October 2010.

Current membership number is 531 in 37 countries and we are expanding to be fully representative of the range of public and private universities throughout the Commonwealth. Our universities share Commonwealth values, including freedom of expression, a common language and many similarities in organisation and management. The ACU forms an extensive network to facilitate internationalisation and for a sharing of problems, solutions and best practice across a variety of higher education environments.

### **Mission, objectives and activities**

The ACU's mission is to promote and support excellence in higher education for the betterment of peoples and societies throughout the Commonwealth and beyond. We aim to strengthen the quality of education and research, so enabling our member institutions to realise their potential, through building long-term international collaborations within the higher education sector. This mission has driven the ACU's support for its members for 100 years. It was established as a Bureau in January 1913, following a Congress organised in London in July 1912. That Congress accepted the need that, "universities, engaged in a common task, lack the means for a common and concerted effort, for the comparison of experience, and for the ready exchange of ideas." To remedy this, the proposed Bureau, "should be created by the universities themselves and remain under their exclusive control." The reasons for the Bureau's creation, and its governing principle of university ownership, remain in place now.

Along with sharing the values of the Commonwealth, the ACU believes in the transformational nature of higher education, and its power and potential to contribute to the cultural, economic, and social development of a nation.

Thus the ACU's overall objective is to improve the quality of higher education for millions of students across the Commonwealth.

### **Public benefit**

In shaping our objectives for the year and planning our activities, the Trustees have considered the Charity Commission's guidance on public benefit. In very broad terms, the people of the Commonwealth (and other countries) benefit from the ACU's support for the extension and improvement of higher education through our member institutions and our administrative or research work. Our charitable objects for the public benefit (as expressed in our Royal Charter) and the activities which achieve them are as follows:

***To collect and distribute information on matters of interest to the Universities of the Commonwealth***

***To arrange conferences and congresses and otherwise to facilitate communication and the interchange of information between Commonwealth Universities and between them and the Governments and other public bodies, learned institutions and societies of the Commonwealth and the Governments, Universities and corresponding bodies in foreign countries***

The ACU's large international network allows members to share concerns, information and best practice and to benchmark themselves against the performance of others. Where members wish the ACU will speak on their behalf on matters of concern to higher education.

The *Bulletin* is published quarterly and distributed free to members. It contains news of forthcoming events, the activities of the ACU and other articles relevant to higher education in the Commonwealth.

The ACU administers scholarships, provides academic research and leadership on sector issues, and promotes inter-university cooperation and the sharing of good practice, thereby helping universities serve their communities – now and into the future. It has continued to provide information and analysis on international higher education in the form of briefings to

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vice-chancellors and policy-makers (*Insights*), occasional research studies (*Spotlights*), and regular magazines for its networks.

The ACU has established six professional networks for staff within universities:

- human resource managers
- research managers
- librarians and information managers
- public relations, marketing & communications managers
- staff working in the sectors of careers and employability
- "reachout" managers

These networks organise conferences, exchange knowledge and publish newsletters and magazines. Details of the network activities can be found on the ACU website – [www.acu.ac.uk](http://www.acu.ac.uk). During 2012/13, three ACU networks held conferences:

- *Realising Dreams: Personal, Institutional, Global*, Windhoek, co-hosted by the University of Namibia, October 2012. The Human Resources Management Network and the PR, Marketing and Communications Network held overlapping conferences.
- *Exploring the value of higher education to the economy*, University of Auckland Business School, New Zealand, July 2013. The Graduate Employment Network held its second conference.

The ACU regularly organises major international conferences for Executive Heads of its members and other professional groups in the higher education sector. A conference of Executive Heads was held in Kingston, Jamaica in November 2012 and one is planned in London for October 2013. The theme of the Jamaica Conference was *University Rankings and Benchmarking: do they really matter?* As 2013 is the ACU's centenary year, smaller events were arranged in a wide variety of Commonwealth locations:

- *Engaging in higher education in India: what role can the ACU play?* in conjunction with the University of Delhi, India, March 2013
- *Global implications of a growing middle class on higher education*, Hong Kong, March 2013
- *Pushing the research frontier – long term vision of research policy*, in conjunction with Nanyang Technological University, Singapore, March 2013
- *The role of universities, researchers and government in shaping a country's desire to balance its eco-credential in energy production*, in conjunction with Universiti Brunei Darussalam, March 2013
- *Conference on International Higher Education*, in conjunction with the University of Wales and the University of Malaya, Kampus Kota, Kuala Lumpur, Malaysia, March 2013
- *International Africa Forum, The Power of Partnerships*, in conjunction with the Australia Africa University Network, University of Sydney, Australia, July 2013

The ACU also arranges workshops and partnership activity, for example

- Meeting the demand for post-secondary education: practical solutions to difficult questions, the Post-Secondary and Higher Education Leaders' Forum, held in Mauritius in conjunction with the 18<sup>th</sup> Conference of Commonwealth Education Ministers (18CCEM).
- The ACU was proud to collaborate with the Centre for Gender Studies, University of Kelaniya (CGSUK) and the International Labour Organisation (ILO) in running a three day workshop in Colombo, from 29 – 31 July 2013. The topic was 'Promoting Gender Equity / Equality in Sri Lankan Universities' and the 31 participants comprised mid-level

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## **Council's Report**

and senior academic and administrative men (10) and women (21) from all but one of the universities in Sri Lanka.

In addition the ACU launched its Perspectives speaker series, which offers its members an opportunity to contribute to the debates and discussions on the future direction of higher education, to share their ideas and experiences, and to bring insights from their own region, institution or discipline. The series theme is "Change and opportunity in higher education". Four Perspectives events were held in 2012/13:

- Loyiso Nongxa, then Vice-Chancellor of the University of Witwatersrand, South Africa, *Ratings rankings and differentiation of the South African university system*, October 2012
- Roger Makanjuola, former Vice Chancellor of Obafemi Awolowo University, Nigeria, *Negotiating university politics through triumph and tragedy*, February 2013
- Graeme Hugo, Director of the Australian Population and Migration Research Centre at the University of Adelaide, Australia, *International Migration and Higher Education in Australia*, March 2013
- Budd Hall, Director of the Office of Community Based Research at the University of Victoria, Canada, *Knowledge democracy, transformation and higher education: elements of contestation*, April 2013

The ACU runs a Research Management Benchmarking programme for those universities who wish to share experiences and good practice in this area. Participation is not restricted to ACU members, and both members and non-members pay a subscription fee to take part. Each benchmarking project runs over two years (the first ran from 2004 - 2006, and the second from 2010-2013) and results in a report, which outlines findings and recommendations for good practice that will be relevant to the wider membership.

In delivering all these services and activities, the ACU enables those in positions of academic and management authority in member institutions and beyond, to extend and improve the higher education available to the general public, primarily in Commonwealth countries.

### ***To facilitate the interchange of students and teachers between Commonwealth Universities and between them and the Universities of foreign countries***

The ACU actively encourages student mobility by administering prestigious scholarship schemes, including those of the Commonwealth Scholarship Commission (CSC) in the UK, the Marshall Aid Commemoration Commission and the Chevening Scholarship scheme. The CSC is funded by the UK government's Department for International Development (DFID), while the Marshall Aid and Chevening schemes are funded by the UK government's Foreign and Commonwealth Office (FCO). 2012/13 was the first full year of ACU administering the Chevening scheme and from April 2013 CSC added further elements to the administration that ACU already provided.

The ACU has accumulated a substantial endowment fund, the income of which is used to provide grants to individual employees or nominees of member institutions to support international mobility for conference attendance, collaborative work, research or other professional and institutional development. The majority of grants made provide opportunities for those who could not otherwise afford them.

In designing and / or administering the selection processes for all these awards, the ACU is careful to avoid bias or discrimination against minority groups, ensuring that all segments of the public have equal access to the benefits they bring.

The ACU also administers a number of schemes, funds and entities which have links with higher education, including the Staff and Educational Development Association, the Heads of Educational Development Group, and the International Consortium for Educational Development.

A recent development in this area is the administration of the Commonwealth Scholarship & Fellowship Plan (CSFP) Anniversary Endowment. This fund was established to mark the CSFP's 50<sup>th</sup> Anniversary. The fund is to support a new strand of Commonwealth Scholarships hosted by developing Commonwealth countries. During 2012/13 the first five grant recipients benefitted from this new endowment fund.

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The ACU has a substantial role in encouraging the contribution of higher education in development. 2012/13 saw the conclusion of our partnership, with DfID and the British Council, in DeLPHE which encourages research and teaching links between North and South universities.

The EC funded DocLinks project continues to link doctoral students across Africa and Europe, facilitating networking and providing news and links to resources and funding calls. The ACU Summer School and the DocLinks Summer School each respectively brought together doctoral students from across the Commonwealth and from across Europe and Africa for a combination of professional development, workshops on linking research and development policy and to share their own respective development related research projects.

These activities bring to the public of the relevant countries opportunities to further their experience of higher education, thus enriching their own lives and also benefitting the countries and communities from which they come.

***To print, publish and circulate handbooks, periodicals, circulars, leaflets and other publications with a view to making known and to furnishing and disseminating information about and encouraging interest in the objects, work and activities of the Association in any part of the world, and generally in connection with the carrying out of its objectives***

In a world where there are an increasing number of bogus "universities", membership of the ACU provides an opportunity for *bona fide* institutions, approved by their governments to offer a range of higher education qualifications, to promote themselves and advertise teaching and research opportunities.

Global networking becomes ever more important in teaching, research and outreach. The ACU has a unique database of contacts to facilitate this.

Every year an international university Strategic Management Programme is organised (formerly called the ACU Benchmarking Programme). This offers a unique and cost-effective opportunity for participating universities to compare key management processes with those in a range of other universities. The programme helps to identify emerging good practice, assists in setting targets for improvement and identifying techniques for managing change. This enables members to learn from each other's experience of difficulty and successes, across international boundaries.

The programme focuses on the effectiveness of institutional strategy and management processes (rather than operational delivery) with three thematic areas. Its mode of operation has been designed by university people solely for use in universities, and has been refined, year on year, in the light of experience. In August 2013 the annual exercise attracted twelve participant universities and the workshop was held at Waterloo, Canada, covering the topics of Strategic Planning, Facilities Management and Commercialisation.

The ACU continues to provide to its members advantageous rates with jobs.ac.uk recruitment advertising services.

The ACU also provides a low cost journals scheme for our members in developing countries which enables them to purchase academic journals at discounted rates.

The ACU's activities therefore enable member institutions to promote, extend and improve the higher education that they provide to the public, both within their own countries and internationally.

***To co-operate with other associations having similar objects with a view to the promotion of the objects of the Association***

The ACU's Secretary General and Director of Professional Networks contributed to preparing for the fourth World Innovation Summit for Education (WISE), held in Doha, Qatar in November 2012. Its subject was *Collaborating for Change*. They have again contributed to preparations for the fifth Summit, to be held in Doha in November 2013.

The ACU operates, often as a partner, in many externally funded research projects including:

- CAAST-Net and CASST-Net Plus (its successor project), Network for the Coordination and Advancement of sub-Saharan Africa-EU Science & Technology Cooperation. (CAAST-Net was funded by the European Commission and the UK government; CASST-Net Plus by the European Commission).



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- Strengthening research management capacity in selected African universities (funded by the Carnegie Corporation).
- Research & Innovation Management Improvement for Africa and the Caribbean, a grant from the European Commission.
- Development of Research Utilisation in Sub-Saharan Africa, funded by DfID. The ACU & two South African partners, the Centre for Research on Evaluation, Science & Technology at the University of Stellenbosch, and Organisation Systems Design are engaged on a four year project
- DocLinks – Increasing Understanding and Establishing Better Links Between African and European Doctoral Candidates funded by the European Commission. A project implemented in cooperation with six partners to conduct needs analysis, organise summer schools and develop a website and online network for PhD students.
- International Collaboration on Research Data Infrastructure (icordi) project funded by the European Commission. This has now become Research Data Alliance Europe (RDA)

The ACU actively seeks funding for further research opportunities across all its memberships regions.

The ACU is an advocate for members and higher education generally by maintaining close working relationships with other Commonwealth and international organisations including the Commonwealth Secretariat, the Commonwealth of Learning, UNESCO, World Bank, and national governments and international fora.

Thus the ACU provides research activity which strengthens understanding of how to improve issues which can currently separate higher education in developing and developed countries. This greater understanding can lead to public benefit through more just and equitable societies.

### **Governance and Management**

Nominations to the Council are made by Executive Heads of member institutions in 4 constituencies representing all regions of the Commonwealth. There are up to 23 Council Members consisting of 20 Elected Council Members, up to 2 co-opted Council Members and, if the Honorary Treasurer is co-opted rather than elected, the Honorary Treasurer. The Council may co-opt a maximum of two co-opted Council Members if it concludes this is desirable to ensure balanced geographical and gender representation of the Council and one additional co-opted Council Member if the Honorary Treasurer is not appointed from the Elected Council Members.

Council members are the Trustees of the ACU under UK charity law. The Council meets each year – most recently in Kingston, Jamaica in November 2012. The officers and committees of the ACU report to the Council. The Council is responsible for approving new members, electing the ACU's office bearers, appointing members of the Executive Committee (other than filling casual vacancies), amending the Charter and Statutes, making and amending Bye-Laws, setting policy and strategic direction, and overseeing their implementation. Between Council meetings the other powers of Council are delegated to its Executive Committee.

The ACU's committees are the Executive Committee, the Audit & Risk Committee and the Remuneration Committee.

The Executive Committee is elected annually by the Council. It met once in 2012/13. The Executive Committee is made up of the Chair, the Vice Chair, the Honorary Treasurer, and two other Members of Council. In addition there is one co-opted Member of Council on the Committee.

The Audit & Risk Committee was formed by the Executive Committee in September 2006. It met once in 2012/13. This Committee is chaired by Professor Sir Peter Gregson. It consists of four members (including at least one independent member).

### **Day to day management**

Professor John Wood is the ACU's Secretary General, heading a Senior Management Team which also comprises the Deputy Secretary General and the Director of Finance & Resources.

### **Council members**

The current Council members are detailed on page 1.

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## Council's Report

### Financial report

The Statement of Financial Activities (SOFA) for the year is set out on page 14 of the financial statements. A summary of the activities and the financial results is given below.

#### *Unrestricted Funds*

The results for the year show net incoming resources before transfers of £265k compared with the previous year's net incoming resources of £233k.

Unrestricted Fund income of £4,805k was £1,095k (30%) above the level of the previous year, £3,710k. The major factors relating to this increase were:

- Membership income of the ACU increased slightly to £1,026k from £991k.
- Grants increased to £14k from £3k, by £11k.
- External administration fees increased to £3,258k from £2,256k, the increases coming from the Chevening contract running for its first full year (£768k) and Commonwealth Scholarship activities (£280k) while other contracts fell £46k.
- Member activities includes conferences, strategic management and Network clubs plus a new promotion advisory service. Income rose to £210k from £107k due to increased conference activity.
- Recruitment services run by the ACU to help member institutions fill their staff vacancies fell to nil from £108k as the ACU has now closed its own service, having secured advantageous rates for members with jobs.ac.uk.
- Consultancy activities increased to £58k from £13k as ACU staff time is increasingly in demand for expert project work
- Hire of accommodation fell to £27k from £52k as office space that the ACU had previously generated rental income was switched to accommodate staff for expanded scholarship administration activities.
- Investment income increased to £209k from £180k, reflecting judicious placing of cash balances and a transfer during the year of £1m to the investment portfolio.

Total resources expended were £4,540k, an increase of £1,063k (30%) from £3,477k in 2011/12.

Tight cost control continued to be applied to maintain the ACU's financial position. Staff costs increased to £3,099k by £1,085k from £2,014k. The cost of staff employed on the Chevening contract was £866k (an increase of £679k from £187k in 2011/12); the cost of staff employed on the Commonwealth Scholarships contract increased to £986k by £214k from £772k. Of this, £175k is accounted for by the voluntary redundancy of five members of staff transferred from the British Council – covered in full by non recurrent income from the Commonwealth Scholarships Commission. Significant developments approved by ACU's Council involved recruitment of three new directors – Member Engagement, New Business and Centenary Development – and a post to improve electronic communications with members. The cost of these in 2012/13 was £221k compared to £60k in 2011/12 when the posts were only filled for a small part of the year. Inflation accounts for a further £27k increase in costs.

Non-staff costs remained broadly in line with 2011/12 – overall they fell to £1,441k from £1,463k, mostly accounted for by the reduction in Chevening non-staff costs to £209k, down from £243k, as 2011/12 included start up investment.

£920k net movement in Unrestricted Funds includes £655k gain on investment assets (2011/12 £32k loss), reflecting a marked rise in equity markets.

#### *Restricted Funds*

The range of Restricted Funds administered by the ACU is shown under notes 14 and 15 which give a brief description of the purpose of each fund together with an analysis where applicable of the value and number of grants and fellowships awarded.

There are eight restricted funds in deficit at the balance sheet date. The Canada Memorial Foundation Fund will receive future income to exceed expenditure. CAAST Net, DOC Links,

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Promoting Africa Europe Research Infrastructure Partnerships, International Collaboration on Research Data Infrastructure / Research Data Alliance, and Research & Innovation Management Improvement are funded by the European Commission and at 31 July 2013 all awaited income instalments. DRUSSA and CIRCLE are funded by DfID (UK government) which reimburses expenditure quarterly.

### ***Endowment Funds***

The Permanent & Expendable Endowment Funds generated £434k of investment income during the year, £130k up on £304k in 2011/12. The increase was almost entirely due to the growth of the CSFP Anniversary Fund, increasing its income to £231k from £102k. All the endowment income was credited to the relevant Restricted Funds. £147k funded ACU Development Fellowships, £22k funded Annenberg Scholarships, £30k funded Marshall Sherfield Scholarships, £4k funded Boyle Medical Electives and £231k funded the CSFP Anniversary Scholarships. The value of the Permanent Endowments stood at £10,939k at 31 July 2013, an increase of £1,630k on the year. This comprises £72k donations plus £1,558k gain on investments.

The CSFP Anniversary Fund supports a new strand of Commonwealth Scholarships hosted by developing Commonwealth countries. It is a permanent endowment and was valued at £6,558k at the year end. It received £65k donations - £25k from the Government of Barbados and £40k from the Cameroon High Commission in London.

The Annenberg Endowment funds Marshall scholarships, its income being transferred to the Marshall Aid Commemoration Commission. It is a permanent endowment, and was valued at £473k at the year end.

The Expendable Endowment funds Marshall Sherfield post-doctoral fellowships for US students. Funds are drawn down from the Endowment as required, up to a maximum of 5% of the original investment per year and are supplemented by grants from the Marshall Sherfield Fellowship Foundation in the US. The Expendable Endowment was valued at £642k at the year end.

### ***Summary***

During a period of continued worldwide economic difficulty, ACU income has held up well. Membership numbers have grown, and membership subscription income has increased £35k as the membership profile changes. External administration income increased £1,002k (44%) as this was the first full year of the Chevening Scholarship administration contract and as Commonwealth Scholarship activity continued to expand. Costs have been well managed while growing these activities and developing member services and new business, so that the ACU managed £265k surplus of income over expenditure on its Unrestricted Funds, up £32k on £233k the previous year. ACU Unrestricted Funds also increased in value by £655k due to investment gains, resulting in an increase in Unrestricted Funds to £6.3m.

### **Reserves of the Association**

The Reserves Policy of the ACU provides a framework which enables the Trustees to make a realistic assessment of the value of Free Reserves (that is those Unrestricted Funds not tied up in fixed assets) which are required to be held in response to identified needs and the ACU's circumstances.

The criteria for holding Free Reserves include:

- an assessment of any pension liabilities;
- enabling future financial commitments to be met;
- allowing the ACU to continue to develop its services to members;
- a short-term source of finance for major projects;
- a degree of protection against short-term shortfalls in future income; and
- a contingency based upon the ACU's risk assessment model.

The ACU's pension schemes are multi-employer, and it is not possible to identify the ACU's share of their underlying assets and liabilities. However, the ACU's reserves policy should take some account of the almost universal underfunding of pension schemes, which would be explicitly included in its accounts if its pension arrangements were not multi-employer. Together with the other criteria above, the Trustees have forecast that the level of Free Reserves (ie, the

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General Fund less the net book value of tangible fixed assets) the ACU will require under the policy is in the range of £6.0 million to £8.5 million. The actual Free Reserves at 31 July 2013 were £6.3 million, just within this range.

### Investments of the Association

#### Investment Objectives

The Association now has five investment portfolios. The Unrestricted Reserves of the Association include the ACU Main investment fund, which has an equity portfolio (£5.6m at 31 July).

The Endowment Funds are split into the ACU Endowment, the CSFP Anniversary Endowment, the Annenberg Endowment (all three are permanent endowments) and the Marshall Sherfield (Expendable) Endowment, which are invested into separate investment funds. The first yields an income to fund ACU Development Fellowships and the Edward Boyle medical electives, while the others yield income to fund specific scholarships related to the CSFP and Marshall Aid Commemoration Commission's scholarships.

All the investment funds are managed by Sarasin & Partners LLP, except the CSFP Anniversary Fund which is managed by Newton Investment Management Ltd. Most of the funds are invested in Common Investment Funds (Sarasin's Alpha Common Investment Fund for Endowments or Newton's Global Growth & Income Common Investment Fund for Charities).

The investment objective of the Association's portfolios is to seek long term real growth without taking undue risks, consistent with a reasonable level of income.

#### Benchmark

Performance (in terms of total return) of the Newton CIF is benchmarked against a composite comprising:

	%	Range %	Benchmark Index Comparator
Fixed Interest	20.0	15-40	FTSE Government All-Stocks Index
UK Equities	50.0	30-60	FTSE All Share Index
Overseas Equities	25.0	15-40	FTSE World (ex UK) £ index
Other / Cash	5.0	0-10	UK 7 day LIBID

Performance (in terms of total return) of the Sarasin CIF (Main and Endowment Funds) is benchmarked against a composite comprising:

	%	Range %	Benchmark Index Comparator
Overseas Property	3.5	0-7.5	EPRA/NAREIT (GBP) (Global)
UK Equities	30.0	20-50	FTSE All Share 5% Capped Index
UK Bonds	12.5	10-20	FTSE Gilts All Stocks
UK Property	4.0	0-7.5	IPD Monthly
Global Bonds	5.0	0-10	JP Morgan World Bonds ex-UK
Global Equities (hedged)	20.0	10-30	MSCI World ex UK (Local Currency - £)
Global Equities	20.0	10-30	MSCI World ex-UK
Cash	5.0	0-10	UK cash LIBOR 1 month

Performance (in terms of total return) of the other Sarasin portfolios (Annenberg and Marshall Sherfield Funds) is benchmarked against a composite comprising:

	%	Range %	Benchmark Index Comparator
Overseas Property	1.0	0-7.5	EPRA/NAREIT (GBP) (Global)
UK Equities	10.0	20-50	FTSE All Share Index
UK Property	3.0	0-7.5	IPD Monthly
Bonds	30.0	10-40	Merrill Lynch Sterling Broad Market Index
Global Equities (hedged)	25.0	15-35	MSCI All Countries World (Local Currency - £)
Global Equities	25.0	15-35	MSCI All Countries World
Cash & Alternatives	6.0	0-15	UK cash LIBOR 1 month

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### *Investment performance for the year ended 31 July 2013*

Fund	Value at 31 July 2013 £'000	Actual Performance %	Benchmark %
ACU Main fund	5,628	19.8	17.3
Endowment fund	3,800	20.3	17.3
CSFP Anniversary endowment & restricted	6,984	21.1	17.6
Annenberg endowment	473	14.1	13.9
Marshall Sherfield expendable endowment	642	14.1	13.9

It should be noted also that the estimated return from the average charity (WM Charity Survey) was +18.8% for the 12 months to 31 July 2013.

### **Risk Management**

The Trustees have responsibility for risk management. Risks are identified by the Senior Management Team and reviewed, assessed and appropriate action incorporated as part of the annual budget and planning process. Thus risk is an integral part of the budget and plan reviewed and approved by the Trustees.

A series of systems operate to identify and mitigate risk. These systems include:

- regulation by the Charity Commission
- annual external audit for parts of its activities - Marshall Aid Commemoration Commission (by the National Audit Office) and the Staff & Educational Development Association
- annual auditor inspection of Commonwealth Scholarship managed funds
- periodic audit for its European Commission and other grants
- Audit & Risk Committee review
- financial procedures
- strategic plan and annual budget (including risk assessment) process
- procedures or guidelines for operating its major external contracts
- handbook for staff detailing practices, policies and procedures
- a low risk environment in terms of health and safety, which is a standing item on SMT and Staff Committee agendas and is subject to annual inspection by an external expert.
- comprehensive insurance cover (Business Interruption, Employer's Liability, Public Liability, Professional Liability and Personal Accident & Business Travel)

### **The Future**

The drive to increase membership income and grow external administration, along with very tight cost control, has enabled the ACU's financial progress, and will continue. Management, with the approval of Council, has produced a budget for the year ending 31 July 2014. These plans include investment in staff to deliver new services to members (benchmarking and post Millennium Development Goals campaign), better direct the ACU's portfolio of programmes and projects (mostly externally funded), and a full programme of scholarship administration.

# **The Association of Commonwealth Universities**

## **Council's Report**

### **Statement of Trustees' Responsibilities**

The Trustees are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and regulations.

Charity law requires the trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law.

Under charity law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity and of its net incoming resources for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue to operate.

The trustees are responsible for keeping proper accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Trustees' Confirmatory Statement**

The Trustees confirm that these Accounts comply with current statutory requirements, the requirements of the ACU's governing document and the requirements of the Statement of Recommended Practice- Accounting and Reporting by Charities.

These Annual Report and Accounts were approved by the Council and are signed on their behalf by



**Professor Olive Mugenda**  
Chair of the Council

15 October 2013

## **Independent Auditors' Report to the Trustees of the Association of Commonwealth Universities**

We have audited the financial statements of the Association of Commonwealth Universities for the year ended 31 July 2013 set out on pages 14 to 33.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's trustees, as a body, in accordance with section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's 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 charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of trustees and auditor**

As explained more fully in the Statement of Trustees' Responsibilities, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Council's Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 July 2013 and of its incoming resources and application of resources 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 Charities Act 2011.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Council's Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

*Crowe Clark Whitehill LLP*

**Crowe Clark Whitehill LLP**

Statutory Auditor

London

18 October 2013

# The Association of Commonwealth Universities

## Statement of Financial Activities For the year ended 31 July 2013

	Unrestricted funds 2013 £'000	Restricted funds 2013 £'000	Endowment funds 2013 £'000	Total 2013 £'000	Total 2012 £'000
<b>Incoming resources</b>					
<b><i>Incoming resources from generated funds</i></b>					
Membership income	1,026	-	-	1,026	991
Investment income / interest (note 4)	209	434	-	643	484
Other income (note 5)	30	-	-	30	52
<b>Total incoming resources from generated funds</b>	<b>1,265</b>	<b>434</b>	<b>-</b>	<b>1,699</b>	<b>1,527</b>
<b><i>Incoming resources from charitable activities</i></b>					
Grants (note 2)	14	698	72	784	4,271
External administration fees (note 3)	3,258	-	-	3,258	2,256
Recruitment services	-	-	-	-	108
Consultancy activities	58	-	-	58	13
Member activities	210	-	-	210	107
<b>Total incoming resources from charitable activities</b>	<b>3,540</b>	<b>698</b>	<b>72</b>	<b>4,310</b>	<b>6,755</b>
<b>Total incoming resources</b>	<b>4,805</b>	<b>1,132</b>	<b>72</b>	<b>6,009</b>	<b>8,282</b>
<b>Resources expended</b>					
<b><i>Costs of generating funds</i></b>					
Membership communication	1,174	-	-	1,174	969
Investment management costs	25	60	-	85	82
<b>Total costs of generating income</b>	<b>1,199</b>	<b>60</b>	<b>-</b>	<b>1,259</b>	<b>1,051</b>
<b><i>Charitable activities</i></b>					
Scholarships, grants and awards	-	193	-	193	233
External and fund administration	2,846	18	-	2,864	1,848
Recruitment services	-	-	-	-	206
Consultancy activities	48	-	-	48	-
Member activities	375	-	-	375	324
Research grants	-	693	-	693	618
<b>Total charitable activities</b>	<b>3,269</b>	<b>904</b>	<b>-</b>	<b>4,173</b>	<b>3,229</b>
<b>Governance costs (note 7)</b>	<b>72</b>	<b>-</b>	<b>-</b>	<b>72</b>	<b>109</b>
<b>Total resources expended (note 6)</b>	<b>4,540</b>	<b>964</b>	<b>-</b>	<b>5,504</b>	<b>4,389</b>
<b>Net incoming resources before other recognised gains and losses (note 9)</b>	<b>265</b>	<b>168</b>	<b>72</b>	<b>505</b>	<b>3,893</b>
Gains/(losses) on investment assets	655	37	1,615	2,307	27
<b>Net movement in funds</b>	<b>920</b>	<b>205</b>	<b>1,687</b>	<b>2,812</b>	<b>3,920</b>
Funds brought forward	5,420	820	9,894	16,134	12,214
<b>Funds carried forward</b>	<b>6,340</b>	<b>1,025</b>	<b>11,581</b>	<b>18,946</b>	<b>16,134</b>

### Continuing operations

None of the above activities was acquired or discontinued during the above two financial years.

The notes on pages 17 to 33 form part of these financial statements.



# The Association of Commonwealth Universities

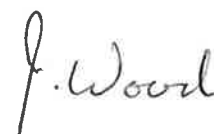
## Balance Sheet 31 July 2013

	Note	2013 £'000	2012 £'000
<b>Fixed assets</b>			
Tangible assets	9	82	98
Investments	10	17,630	15,233
		<u>17,712</u>	<u>15,331</u>
<b>Current assets</b>			
Debtors	11	675	693
Cash at bank and in hand		1,366	842
		<u>2,041</u>	<u>1,535</u>
<b>Creditors: amounts falling due within one year</b>	12	(807)	(732)
		<u>1,234</u>	<u>803</u>
<b>Net current assets</b>			
		<u>18,946</u>	<u>16,134</u>
<b>Net assets</b>			
		<u>18,946</u>	<u>16,134</u>
<b>Funds</b>			
Unrestricted funds: General		6,340	5,420
Restricted funds	14	1,025	820
Endowment funds	13	11,581	9,894
		<u>18,946</u>	<u>16,134</u>
<b>Total funds</b>	17	<u>18,946</u>	<u>16,134</u>

These financial statements were approved and authorised for issue by the Council on 15 October 2013 and signed on their behalf by:



**Professor Olive Mugenda**  
Chair of the Council



**Professor John Wood**  
Secretary General

The notes on pages 17 to 33 form part of these financial statements.

# The Association of Commonwealth Universities

## Cash Flow Statement 31 July 2013

	Note	2013 £'000	2012 £'000
<b>Operating Activities</b>			
Net cash (outflow) from operating activities		(31)	(739)
<b>Returns on Investment</b>			
Investment Income and Interest	4	643	484
<b>Capital expenditure :</b>			
Purchase of tangible assets	9	(35)	(137)
Disposal of investment property		-	1,050
Disposal of listed investments	10(b)	1,192	32
Disposal of term deposits		1,000	-
Acquisition of listed investments	10(b)	(2,317)	(5,374)
		(160)	(4,429)
<b>Financing</b>			
Endowment donations		72	3,741
<b>Increase / (Decrease) in cash</b>		<b>524</b>	<b>(943)</b>

### Reconciliation of net incoming resources to net cash (outflow) from operating activities

	Note	2013 £'000	2012 £'000
Net incoming resources		505	3,893
Investment income received		(643)	(484)
Endowment donations		(72)	(3,741)
Depreciation charge		51	40
Increase / (decrease) in debtors		18	(335)
Increase / (decrease) in creditors		74	(143)
Investment Management fee rebate		36	31
<b>Net cash (outflow) from operating activities</b>		<b>(31)</b>	<b>(739)</b>

### Analysis of Net Cash Resources

	Note	Opening balances £'000	Cash Flow £'000	Closing balances £'000
Cash at bank and in hand		842	524	1,366

# **The Association of Commonwealth Universities**

## **Notes to the financial statements Year ended 31 July 2013**

### **1. Accounting policies**

The accounting policies remain unchanged from the previous year.

#### **(a) Accounting convention**

The financial statements are prepared under the historical cost convention as modified by the inclusion of investments at market value and in accordance with applicable accounting standards. In preparing the financial statements the ACU follows best practice as set out in the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP) issued in March 2005, and the requirements of the Charities Act 2011.

#### **(b) Incoming resources**

All incoming revenues are included in the SOFA when the ACU is legally entitled to the income and the amount can be measured with reasonable certainty. Income is deferred only when the ACU has to fulfil conditions before becoming entitled to it or where the donor has specified that the income is to be expended in a future period.

#### **(c) Resources expended and basis of allocation of costs**

All expenditure has been accounted for on an accruals basis and has been classified under headings which are consistent with the activities of the ACU. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of the resource. Central overheads such as Facilities, Finance and IT have been allocated on usage or space occupied basis. Irrecoverable VAT is charged to the relevant grant or project, or to central overheads if not an eligible cost for a grant.

#### **(d) Membership communication costs**

These are the costs incurred by the secretariat in providing support and communication to the ACU's members. The costs of providing commentaries to members are included under this heading.

#### **(e) Governance costs**

These represent costs incurred by the Secretary General's office, finance and other "directorate" departments which are attributable to the management of the ACU's assets, organisational administration and compliance with constitutional and statutory requirements.

#### **(f) Capitalisation and depreciation of tangible assets**

All assets costing more than £2,000 are capitalised. Depreciation is provided on all tangible fixed assets at rates calculated to write-off the cost on a straight line basis over their expected useful lives as follows:

Leasehold property	- Over the life of the lease.
Computer equipment	- 3 years
Office equipment	- 3 years
Furniture and fixtures	- 5 years

#### **(g) Investments**

Investment assets are valued at market value at the balance sheet date.

Gains on investment assets are the net of realised gains and losses and unrealised gains and losses. Realised gains and losses on investments are arrived at by comparing the net sale proceeds with the market value at the end of the previous financial year or cost if acquired in the year; unrealised gains and losses represent the difference between the market value of investments still held at the end of the financial year with their value at the beginning of the year or with their cost if purchased subsequently.

Investment income from cash at bank (including short-term money market deposits) is accrued at the year end. Income generated from investments and cash held by Fund Managers is credited to income as received.

# The Association of Commonwealth Universities

## Notes to the financial statements Year ended 31 July 2013

### 1. Accounting policies (continued)

#### (h) Fund accounting

Funds held by the ACU:

**General Funds** are unrestricted funds comprising accumulated surpluses and deficits after transfer to or from designated funds.

**Designated Funds** are unrestricted funds set aside out of general funds and designated for specific purposes by the Trustees.

**Restricted Funds** are funds which are subject to donor-imposed conditions as to their use.

**The Permanent Endowment Funds** generate income which is transferred to the ACU Development Fellowship Fund, the Edward Boyle (Medical Electives) Fund and the Annenberg Foundation Scholarship Fund, which are Restricted Funds. The capital of these funds must be retained.

**The Expendable Endowment Fund** generates total returns which fund the Marshall Sherfield postdoctoral fellowships. The capital of this fund will be retained until the Trustees choose to spend the capital. There is currently no such intention.

#### (i) Operating leases

The rents payable under operating leases, where substantially all the benefits and risk of ownership remain with the lessor, are charged to the SOFA as incurred. Where there are rent free periods the cost is spread over the period to the first rent review.

#### (j) Pension schemes

The ACU participates in both the Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL). Both schemes are centralised defined benefit schemes and both are contracted out of the Second State Pension (S2P). The assets of the schemes are held in separate trustee-administered funds. Because of the mutual nature of the schemes, the schemes' assets are not hypothecated to individual institutions and scheme-wide contribution rates are set. The ACU 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 schemes on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the schemes as if they were defined contribution schemes. As a result, the amount charged to the Statement of Financial Activities represents the contributions payable to the schemes in respect of the accounting period.

Both schemes are "last man standing" schemes so that in the event of the insolvency of any of their participating employers, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across their remaining participant employers and reflected in the next actuarial valuation of the schemes. (See note 21 for more details.)

#### (k) Foreign currencies

Transactions are translated on the date of transaction and balances on the year end date with any gain or loss taken to finance support costs.

# The Association of Commonwealth Universities

## Notes to the financial statements Year ended 31 July 2013

### 2. Grants and donations received

	2013 £'000	2012 £'000
<b>Grants from UK Government</b>		
Department of Business Innovation & Skills – CAAST Net support	30	86
Department for International Development – DRUSSA	249	149
Department for International Development – Building Capacity to Use Research Evidence	9	-
	<u>288</u>	<u>235</u>
<b>Grants from other Agencies</b>		
European Commission – CAAST Net	-	128
European Commission – CAAST Net Plus	303	
European Commission – Euro Africa ICT	-	20
European Commission – Research & Innovation Management Improvement	39	65
European Commission – International Collaboration on Research Data Infrastructure	35	
European Commission – PAERIP	-	12
European Commission – DOC Links	23	25
Global Health Consulting	3	4
	<u>403</u>	<u>254</u>
<b>Grants from charitable foundations</b>		
British Academy	5	4
Canada Memorial Foundation	9	23
Marshall Sherfield Fellowship Foundation	14	10
Carnegie Corporation (balance of grant returned)	(8)	-
	<u>20</u>	<u>37</u>
<b>Donations</b>		
Government of Barbados	25	-
Cameroon High Commission	40	-
Clarks Legal	5	-
Government of Canada	-	3,078
Australian Agency for International Development (AUSAid)	-	648
Brunei Darussalam High Commission	-	15
Individuals & Organisations	3	4
	<u>73</u>	<u>3,745</u>
	<u>784</u>	<u>4,271</u>

# The Association of Commonwealth Universities

## Notes to the financial statements Year ended 31 July 2013

### 3. External administration fees

	2013 £'000	2012 £'000
Commonwealth Scholarship award schemes	1,284	1,048
Marshall Scholarship scheme	168	166
Staff & Educational Development Association	107	103
CSFP Alumni	94	85
CSFP Evaluation	162	127
Chevening Scholarships	1,427	659
Other schemes	16	68
	<u>3,258</u>	<u>2,256</u>

### 4. Investment income and interest

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2013 £'000	Total 2012 £'000
Income: managed investments	204	432	636	470
Interest: cash deposits	5	2	7	9
Investment property rent income	-	-	-	5
	<u>209</u>	<u>434</u>	<u>643</u>	<u>484</u>

### 5. Other income

	2013 £'000	2012 £'000
<b>Unrestricted</b>		
Hire of accommodation	27	52
Contribution to Centenary event	3	-
	<u>30</u>	<u>52</u>
<b>Total</b>		

# The Association of Commonwealth Universities

## Notes to the financial statements Year ended 31 July 2013

### 6. Analysis of total resources expended

	Staff costs £'000	Consultant costs £'000	Office and facility costs £'000	Other costs £'000	Total £'000	2012 £'000
<b>Costs of generating funds:</b>						
Membership communication	753	37	293	91	1,174	1,182
Investment management costs	-	-	-	85	85	82
<b>Charitable activities:</b>						
Scholarships, grants and awards	-	-	-	193	193	233
External and fund administration	2,187	20	655	2	2,864	1,848
Recruitment services	-	-	-	-	-	206
Consultancy activities	34	-	14	-	48	-
Member activities	86	71	63	155	375	111
Research grants	315	-	378	-	693	618
<b>Governance costs (note 7)</b>	46	-	10	16	72	109
	<u>3,421</u>	<u>128</u>	<u>1,413</u>	<u>542</u>	<u>5,504</u>	<u>4,389</u>

#### Member activities

Member activities comprise Conferences, Strategic Management & Network Clubs and the Promotions Advisory Service.

#### Support costs

Where appropriate the expenditure, including staff costs, has been allocated to one of the above activity cost categories. The support costs of finance, human resources, information technology and facilities, which could not be so allocated, have instead been allocated on the basis of staff (whole time equivalent) engaged in an activity (2012: floor area occupied by an activity). The analysis and allocation of support costs is as follows:

	Support costs £'000
<b>Costs of generating funds:</b>	
Membership communication	208
<b>Charitable activities:</b>	
External and fund administration	616
Consultancy activities	14
Member activities	34
<b>Governance costs</b>	14
	<u>886</u>

### 7. Governance costs

	2013 £'000	2012 £'000
Staff costs	46	56
Office & facility costs	10	29
Consultancy	-	8
Council Meeting & Annual Report	1	2
Audit compliance	13	14
Other	2	-
	<u>72</u>	<u>109</u>

# The Association of Commonwealth Universities

## Notes to the financial statements Year ended 31 July 2013

### 8. Net incoming resources for the year

Net incoming resources for the year are stated after charging:

	2013 £'000	2012 £'000
(a) Auditors' remuneration		
Audit fees	13	14
Other non-audit work (VAT advice & EC grant audit)	-	6
	<u>13</u>	<u>20</u>

#### (b) Staff costs:

The average monthly number of persons employed by the ACU (calculated on a full-time equivalent basis), was 66 during 2013 (2012: 46).

	2013 £'000	2012 £'000
Wages and salaries	2,636	1,819
Social security costs	223	160
Pension costs	291	215
Temporary staff	219	82
Recruitment	22	4
Training and welfare	30	18
	<u>3,421</u>	<u>2,298</u>

The number of employees whose total emoluments (not including retirement benefits) amounted to over £60,000 was:

	2013 Number	2012 Number
£80,001 to £90,000	2	2
£110,001 to £120,000	1	1
	<u>3</u>	<u>3</u>

Two of the above higher paid employees were accruing benefit during the year in respect of membership of a defined benefit pension scheme.

#### (c) Trustee remuneration and expenses:

No Trustee received any remuneration in the year (2012: £nil).

No Trustee was reimbursed for travel expenses incurred during the year (2012: one Trustee, £146).



# The Association of Commonwealth Universities

## Notes to the financial statements Year ended 31 July 2013

### 9. Tangible fixed assets

	Computer equipment £'000	Office equipment £'000	Furniture & fixtures £'000	Total £'000
<b>Cost</b>				
At 1 August 2012	149	2	15	166
Additions	35	-	-	35
Disposals	-	-	-	-
At 31 July 2013	184	2	15	201
<b>Depreciation</b>				
At 1 August 2012	51	2	15	68
Charge for year	51	-	-	51
Disposals	-	-	-	-
At 31 July 2013	102	2	15	119
<b>Net book value</b>				
At 31 July 2013	82	-	-	82
At 31 July 2012	98	-	-	98

# The Association of Commonwealth Universities

## Notes to the financial statements Year ended 31 July 2013

### 10. Investments

#### (a) Analysis by type

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2013 £'000	Total 2012 £'000
Quoted investments	5,628	452	11,546	17,626	14,228
Term deposits	-	-	-	-	1,000
Cash held for investment purposes	-	-	4	4	5
	<u>5,628</u>	<u>452</u>	<u>11,550</u>	<u>17,630</u>	<u>15,233</u>

#### (b) Movements in quoted investments

	Unrestricted funds		Restricted & Endowment funds	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Market value, 1 August	3,948	3,535	10,280	6,385
Acquisitions at cost	1,007	505	1,310	3,869
Disposals at opening market value	-	-	(1,192)	(32)
Net unrealised gains / (losses) on revaluation	673	(92)	1,600	58
Market value, 31 July	<u>5,628</u>	<u>3,948</u>	<u>11,998</u>	<u>10,280</u>
Cost, 31 July	<u>4,969</u>	<u>3,463</u>	<u>9,722</u>	<u>6,162</u>

### 11. Debtors and prepayments

	2013 £'000	2012 £'000
Recruitment service debtors	-	2
Member subscriptions	28	15
Trade debtors	429	534
Sundry debtors	115	85
Prepayments	103	57
	<u>675</u>	<u>693</u>

# The Association of Commonwealth Universities

## Notes to the financial statements Year ended 31 July 2013

### 12. Creditors: amounts payable within one year

	2013 £'000	2012 £'000
Trade creditors	98	100
Deferred income	299	288
Income tax and National insurance contributions	66	57
Value added tax	130	92
Publishers – African library holding account	25	56
Sundry creditors	164	89
Accruals	25	50
	<u>807</u>	<u>732</u>

### 13. Endowment funds

	Opening value of funds £'000	New endowments £'000	Gains on investments £'000	Closing value of funds £'000
<b>Permanent endowments</b>				
ACU endowment	3,268	-	532	3,800
CSFP Anniversary endowment	5,523	65	970	6,558
Edward Boyle endowment	87	-	14	101
Annenberg Foundation endowment	431	-	42	473
ACU Second Century endowment	-	7	-	7
	<u>9,309</u>	<u>72</u>	<u>1,558</u>	<u>10,939</u>
<b>Expendable endowments</b>				
Marshall Sherfield endowment	585	-	57	642
<b>Total endowments</b>	<u>9,894</u>	<u>72</u>	<u>1,615</u>	<u>11,581</u>

Income from the ACU Endowment funds ACU Development Fellowships (Note 15). The Commonwealth Scholarship and Fellowship Programme Anniversary Fund funds scholarships in the CSFP. Income from the Edward Boyle (Memorial) Endowment funds the Medical Elective Bursaries for UK students. Income from the Marshall Sherfield Expendable Endowment funds Marshall Sherfield post-doctoral fellowships for US students and funds are transferred from the Marshall Sherfield Expendable Endowment for the same purpose. The amount drawn down is limited to 5% of the capital value per year. In the year ended 31 July 2013, no funds were drawn down. (In the year ended 31 July 2012, no funds were drawn down.)

Income from the Annenberg Foundation endowment is transferred to the Marshall Aid Commemoration Commission.

## The Association of Commonwealth Universities

### Notes to the financial statements Year ended 31 July 2013

#### 14. Restricted Funds

	Opening value of funds £'000	Grants/ Donations/ Subscriptions £'000	Investment Income / Gains £'000	Total Income £'000
ACU Development Fellowships	146	-	147	147
Marshall Sherfield Fellowship Scheme	2	14	30	44
Annenberg	-	-	22	22
Mzuzu University, Malawi	4	1	-	1
Edward Boyle (Medical Electives)	1	-	4	4
CAAST Net project	133	30	-	30
CAAST Net Plus	-	303	-	303
Information Resource in Research	(6)	-	-	-
Global Health Consulting	-	3	-	3
DRUSSA	(10)	249	-	249
DOC Links	(22)	23	-	23
CUSAC / ACU Summer School	171	-	2	2
Promoting Africa Europe Research Infrastructure Partnerships (PAERIP)	3	-	-	-
Carnegie African research management capacity	41	(8)	-	(8)
CIRCLE	-	-	-	-
Symons Medal	11	-	-	-
CSFP Anniversary Fund	384	-	266	266
Wellcome Trust	7	-	-	-
CSFP Anniversary Governance	11	-	-	-
Canada Memorial Foundation	(4)	9	-	9
International Collaboration on Research Data Infrastructure (ICORDI) / Research Data Alliance (RDA)	-	35	-	35
Research & Innovation Management Improvement: Africa / Caribbean	(61)	39	-	39
Commonwealth Secretariat	9	-	-	-
<b>Total</b>	<b>820</b>	<b>698</b>	<b>471</b>	<b>1,169</b>

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## Notes to the financial statements Year ended 31 July 2013

### 14. Restricted Funds (continued)

	Funds available for use £'000	Charitable Expenditure £'000	Fund value before transfers £'000	Transfers in / (out) £'000	Closing value of funds £'000
ACU Development Fellowships	293	98	195	-	195
Marshall Sherfield Fellowship Scheme	46	44	2	-	2
Annenberg	22	22	-	-	-
Mzuzu University, Malawi	5	3	2	-	2
Edward Boyle (Medical Electives)	5	4	1	-	1
CAAST Net project	163	192	(29)	-	(29)
CAAST Net Plus	303	88	215	-	215
Information Resource in Research	(6)	(6)	-	-	-
Global Health Consulting	3	3	-	-	-
DRUSSA	239	264	(25)	-	(25)
DOC Links	1	11	(10)	-	(10)
CUSAC / ACU Summer School	173	20	153	-	153
Promoting Africa Europe Research Infrastructure Partnerships (PAERIP)	3	17	(14)	-	(14)
Carnegie African research management capacity	33	33	-	-	-
CIRCLE	-	4	(4)	-	(4)
Symons medal	11	-	11	-	11
CSFP Anniversary Fund	650	59	591	-	591
Wellcome Trust	7	-	7	-	7
CSFP Anniversary governance	11	2	9	-	9
Canada Memorial Foundation	5	14	(9)	-	(9)
International Collaboration on Research Data Infrastructure (ICORDI) / Research Data Alliance (RDA)	35	43	(8)	-	(8)
Research & Innovation Management Improvement: Africa / Caribbean	(22)	49	(71)	-	(71)
Commonwealth Secretariat	9	-	9	-	9
<b>Total</b>	<b>1,989</b>	<b>964</b>	<b>1,025</b>	<b>-</b>	<b>1,025</b>

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## Notes to the financial statements Year ended 31 July 2013

### 15. Restricted Fund descriptions; including grants, awards and scholarships awarded

A brief description of the purpose of each of the restricted funds, together with an analysis, where appropriate, of the number of grants, awards and fellowships made to individuals is provided below:

		Total value grants/ awards/ fellowships etc. £'000	Number awarded
ACU Development Fellowships	The ACU's own endowment income is used to support small scale collaboration between member universities through bursaries.	72	20
Marshall Sherfield Fellowship Scheme	A programme to support US post-doctoral fellows at UK universities.	32	1
Annenberg Foundation	Income from the Annenberg Foundation endowment is transferred to the Marshall Aid Commemoration Commission	20	-
Mzuzu University, Malawi	Tuition fee support for MSc Mathematics students at Mzuzu University, Malawi	3	3
Edward Boyle Medical Electives	Medical electives supported by income derived from an endowment.	3	6
CUSAC / ACU Summer School	Commonwealth Universities Study Abroad Consortium – a programme to encourage & facilitate undergraduate study abroad exchanges between member universities / Support for international students to attend the ACU summer school	12	10
CSFP Anniversary Fund	Provides scholarships hosted by low and middle income Commonwealth countries	24	5
Symons Medal	Established by Professor T Symons, the Symons Medal is awarded annually in recognition of major contributions to higher education in the Commonwealth	-	-
Carnegie Corporation	Strengthening research management capacity in selected African universities, in collaboration with Society Research Administrators International	4	5
Canada Memorial Fund	Scholarship programme to support UK students to study postgraduate degrees in Canada	15	1
Research & Innovation Management Improvement: Africa / Caribbean	ACU is a partner in this European Commission funded project to Improve Research & Innovation Management in Africa & the Caribbean	8	9
<b>Total value and number of awards to individuals</b>		<b>193</b>	<b>60</b>

Some grants are paid to individuals and / or the higher education institutions to which they are connected.

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## Notes to the financial statements Year ended 31 July 2013

### 16. Funds held on behalf of third parties

	Opening Balance £'000	Incoming Resources £'000	Resources Expended £'000	Closing Balance £'000
<b>Funds held in sterling</b>				
Chevening Scholarship Scheme	42	16,959	15,925	1,076
Commonwealth Scholarship & Fellowship Plan	8,322	22,226	21,204	9,344
CUSAC	19	2	7	14
HEDG	20	14	23	11
<b>Total Third Party Sterling Funds</b>	<b>8,403</b>	<b>39,201</b>	<b>37,159</b>	<b>10,445</b>
<b>Funds held in euro</b>				
European Commission CAAST Net grant	286	-	150	136
European Commission CAAST Net Plus grant	-	1,558	1,436	122
European Commission DOC Links grant	-	67	66	1
<b>Total Third Party Euro Funds</b>	<b>286</b>	<b>1,625</b>	<b>1,652</b>	<b>259</b>

### 17. Analysis of assets between Funds

	Fixed assets £'000	Investments £'000	Net current assets £'000	Total £'000
Endowment funds	-	11,550	31	11,581
Restricted funds	-	452	573	1,025
Unrestricted funds	82	5,628	630	6,340
	<b>82</b>	<b>17,630</b>	<b>1,234</b>	<b>18,946</b>

### 18. Future financial commitments

#### Operating leases

At 31 July 2013 the ACU had annual commitments under operating leases as set out below:

	2013 Equipment £'000	2013 Land and buildings £'000	2013 Total £'000	2012 Total £'000
Operating leases which expire:				
Within five years	-	303	303	278
After five years	2	-	2	-

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### Notes to the financial statements Year ended 31 July 2013

#### 19. Pension Commitments

##### (a) Universities Superannuation Scheme (USS)

The ACU participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, the Universities Superannuation Scheme Limited.

The appointment of directors to the board of the trustee is determined by the trustee company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; and a minimum of three and a maximum of five are independent directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

*Because of the mutual nature of the scheme, the ACU is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent basis and therefore, as required by FRS 17 "Retirement Benefits" accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Financial Activities represents the contributions payable to the scheme in respect of the accounting period.*

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2013 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (ie the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum salary increases would be 4.4% per annum (with short term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

Standard mortality tables were used as follows:

Male members' mortality	S1NA ["light"] YoB tables- No age rating
Female members' mortality	S1NA ["light"] YoB tables- rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further small improvements in mortality rates the CMI 2009 projections with a 1.25% pa long term rate were also adopted. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65                      23.7 (25.6) years

Males (females) currently aged 45                      25.5 (27.6) years

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 93% funded; on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% of the



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### Notes to the financial statements Year ended 31 July 2013

amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

As at the valuation date the Scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of Salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the valuation effective date there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

#### *New Entrants*

Other than in specific, limited circumstances, new entrants are now provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

#### *Normal pension age*

The Normal pension age was increased for future service and new entrants, to age 65.

#### *Flexible Retirement*

Flexible retirement options were introduced.

#### *Member contributions increased*

Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

#### *Cost sharing*

If the total contribution level exceeds 23.5% of Salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

#### *Pension increase cap*

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

The actuary has estimated that the funding level as at 31 March 2013 under the scheme specific funding regime had fallen from 92 % to 77%. This estimate is based on the results from the valuations at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are sighted as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2013 estimation.

On the FRS17 basis, using an AA bond discount rate of 4.2% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2013 was 68%. An estimate of the funding level measured on a buy-out basis at that date was approximately 55%.

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Surpluses or deficits which arise at future valuations may impact on the ACU's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial actuarial valuation are set out below:

Assumption	Change in Assumption	Impact on shortfall
Investment return	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI and CPI	Decrease by 0.25%	Increase by £1. Billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6billion
Members live longer than assumed	1 year longer	Increase by £ 0.8 billion
Equity markets in isolation	Fall by 25 %	Increase by £4.6 billion

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustees believe that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set by the trustees are designed to give the fund a significant exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that, putting the issue of the USS fund's size and scale to one side for a moment, it might be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the sponsoring employers would be willing and able to make, it is necessary and appropriate for the trustee to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and importantly considers the ability of the sponsoring employers to support the scheme if the investment strategy does not deliver the expected returns.

The positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities, and the scheme actuary has confirmed that this is likely to remain the position for the next ten years or more. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and most critically the ability of the employers to provide additional support to the scheme should additional contributions be required, enables it to take a longer-term view of its investments. Some short-term volatility in returns can be tolerated and need not feed through immediately to the contribution rate. However, the trustee is mindful of the difficult economic climate which exists for defined benefit pension schemes currently, and the need to be clear about the responses that are available should the deficits persist and a revised recovery plan becomes necessary following the next actuarial valuation of the scheme as at March 2014. The trustee is making preparations ahead of the next valuation to compile a formal financial management plan, which will bring together – in an integrated form – the various funding strands of covenant strength, investment strategy and funding assumptions, in line with the latest guidance from the Pensions Regulator.

At 31 March 2013, USS had over 148,000 active members and the institution had 49 active members participating in the scheme.

The total USS pension cost for the ACU was £272k (2012: £173k). This includes nil (2012: £34k) outstanding contributions at the balance sheet date. The contribution rate payable by the ACU was 16% of pensionable salaries.

#### (b) Superannuation Arrangements of the University of London (SAUL)

The ACU participates in the Superannuation Arrangements of the University of London, a centralised defined benefit scheme for all qualified employees with the assets held in separate Trustee-administered funds. The

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### Notes to the financial statements Year ended 31 July 2013

SAUL is subject to triennial valuation by professionally qualified and independent actuaries. The last available valuation was carried out as at 31 March 2011 using the projected unit credit method in which the actuarial liability makes allowance for projected earnings. The main assumptions used to assess the technical provisions were:

	31 March 2011
Discount rate	
- Pre-retirement	6.80% pa
- Post-retirement	4.70% pa
General* Salary Increases	3.75% pa until 31 March 2014, 4.5% pa thereafter
Retail Prices Index inflation ("RPI")	3.50% pa
Consumer Prices Index inflation ("CPI")	2.80% pa
Pension Increases in payment (excess over GMP)	2.80% pa
Mortality – base table	SAPS Normal (year of birth) tables with an age rating of +0.5 years for males and -0.4 years for females
Mortality – future improvements	Future improvements in line with CMI 2010 projections with a long term trend rate of 1.25% pa

\* an additional allowance is made for promotional Salary increases

The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of SAUL's assets was £1,506 million representing 95% of the liability for benefits after allowing for expected future increases in salaries.

Based on the strength of the Employer covenant and the Trustee's long term investment strategy, the Trustee and the Employers agreed to maintain Employer and Member contributions at 13% of Salaries and 6% of Salaries respectively following the valuation. The above rates will be reviewed when the results of the next formal valuation (as at 31 March 2014) are known.

A comparison of SAUL's assets and liabilities calculated using assumptions consistent with FRS17 revealed SAUL to be in deficit at the last formal valuation date (31 March 2011). As part of this valuation, the Trustee and Employer have agreed that no additional contributions will be required to eliminate the current shortfall.

The more material changes (the introduction of a Career Average Revalued Earnings, or "CARE", benefit structure) to SAUL's benefit structure applied from 1 July 2012. As a consequence, the cost of benefit accrual is expected to fall as existing final salary members are replaced by new members joining the CARE structure. This will allow an increasing proportion of the expected asset return to be used to eliminate the funding shortfall. Based on conditions as at 31 March 2011, the shortfall is expected to be eliminated by 31 March 2021, which is 10 years from the valuation date.