

# **The Association of Commonwealth Universities**

**Annual report and financial statements**

**31 July 2014**

**Charity Registration No. 314137**

**The Association of Commonwealth Universities**  
**Annual report and financial statements 2014**

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# **The Association of Commonwealth Universities**

## **Officers and professional advisers**

### **Council members**

Chair:	Professor Olive Mugenda – (Kenyatta University, Kenya)
Vice-Chair:	Professor Jan Thomas (University of Southern Queensland, Australia)
Honorary Treasurer:	Professor James McWha (University of Rwanda, Rwanda)
Other members:	Professor Richard Higgott (Murdoch University, Australia)
	Professor Robert Crawford (The University of Waikato, New Zealand)
	Professor Bishnu Charan Barik (Sambalpur University, India)
	Professor A A M S Arefin Siddique (University of Dhaka, Bangladesh)
	Professor Dinesh Singh (University of Delhi, India)
	Dato' Seri Professor Mushkuri Yaacob (Universiti Tenaga Nasional, Malaysia)
	Professor Idris Rai (state University Zanzibar, Tanzania)
	Professor I F Adewole (University of Ibadan, Nigeria)
	Professor Sir Peter Gregson (Cranfield University, UK)
	Dr Syed Muhammad Junaid Zaidi (COMSATS Institute of Information Technology, Pakistan)
	Professor Cheryl de la Rey (University of Pretoria, South Africa)

### **Audit Committee members**

Chair:	Professor Sir Peter Gregson (Cranfield University, UK)
Co-opted member:	Mr Graeme Appleby (Finance Director, School of Oriental & African Studies)

### **Remuneration Committee members**

Chair:	Professor James McWha (University of Rwanda, Rwanda)
	Professor Julia Buckingham (Brunel University, UK)
	Professor David Greenaway (University of Nottingham, UK)
	Ms Alison Johns (Leadership Foundation, UK)

**The above lists are as at 19<sup>th</sup> November 2014.**

# **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**

BNY Mellon – 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 523 in 37 countries and we aim 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 over 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 vice-chancellors and policy-makers (*Insights*), research studies (*Spotlights*), and magazines for its networks.

The ACU has various networks for staff within universities covering, for example, issues in research management, human resources, employability and communications.

These networks have organised conferences, shared information and published 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 2013/14, two ACU networks (the Human Resources Management Network and the PR, Marketing and Communications Network) held a joint conference, *Steering Institutional Strategy: the critical roles of HR and PR*, Glasgow, UK, July 2014.

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## Council's Report

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 London, UK in October 2013. The theme of this, the ACU's Centenary Conference, was *Future Forward: Taking Charge of Change*. Professor Sir David King, who had delivered a series of Centenary lectures earlier in the year, was awarded the Symons Medal at the Conference's Centenary Dinner.

At the Conference the ACU's *Beyond 2015* campaign was launched. The aim of *Beyond 2015* is to raise awareness of how higher education should respond to global challenges at the end of the timetable for the Millennium Development Goals.

The ACU also arranges workshops and partnership activity, for example

- *International Africa Forum II*, Pretoria, South Africa, April 2014. This was the second forum, following that held in Sydney in July 2013. Both were held in conjunction with the Australia Africa Universities Network.
- The ACU was proud to collaborate with the University of Nairobi in running a one day conference *Enhancing gender equity in the leadership and management of higher education* at the University of Nairobi in August 2013. A three day Training of Trainers workshop, *Women, Gender and Leadership in Higher Education*, was held to coincide with this. The success of this event is evidenced by its repetition a year later in September 2014.

The ACU continued 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*. One *Perspectives* event was held in 2013/14:

- Joan Dassin, founding executive director of the Ford Foundation International Fellowship Program (IFP), *Empowering Education: The impact of higher education opportunity on development leadership and practice*, June 2014

*Universities for a New World: Making a Global Network in International Higher Education, 1913-2013* (ed. Schreuder, D.) , a collection of essays on change in higher education as reflected in the ACU's international work, was also published in this centenary year.

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 several 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). 2013/14 was the second full year of ACU administering the Chevening scheme and our staffing and income started to increase at the end of the year in preparation for future growth in scholarship numbers.

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 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. Moreover the ACU's breadth and length of experience in scholarship administration enable it to provide economic, efficient and effective services, adding value through policy advice (when requested) and evaluation.

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

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

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## Council's Report

strand of Commonwealth Scholarships hosted by developing Commonwealth countries. During 2013/14 a further fourteen grant recipients benefitted from this endowment fund.

The ACU has a substantial role in encouraging the contribution of higher education in development. The EC funded DocLinks project continued to link doctoral students across Africa and Europe, facilitating networking and providing news and links to resources and funding calls. The ACU Residential School (*The World in 2113: what will it be like and how can we prepare?* Windsor, UK, August 2013) brought together doctoral students, from across the Commonwealth, for a programme of workshops and other activities linking research and development projects. Many participants were funded by grants from ACU funds.

Such work brings to the public of the relevant countries opportunities to further their experience of higher education which, as well as enriching their own lives, benefits 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 is 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.

It focuses on the effectiveness of institutional strategy and management processes in universities, and has been refined, year on year, in the light of experience. In August 2014 the annual exercise attracted eleven participant universities and the workshop was held at Edith Cowan University, Perth, Western Australia, covering the topics of Ethical Governance, Quality Management and Student Support.

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

Since 1997 it has also produced an Academic Staff Salary survey (including for 2012/13) which collates comparative data on salaries and associated benefits. Such information is particularly valued given trends in academic mobility and internationalisation.

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

Collectively, the ACU's activities help 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 contributed to preparing for the fifth World Innovation Summit for Education (WISE), held in Doha, Qatar in October 2013. Its subject was *Reinventing education for life*. They have again contributed to preparations for the sixth Summit, to be held in Doha in November 2014.

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

- CAAST-Net Plus, Network for the Coordination and Advancement of sub-Saharan Africa-EU Science & Technology Cooperation, funded by the European Commission. ([www.caast-net-plus.org](http://www.caast-net-plus.org))
- Research & Innovation Management Improvement for Africa and the Caribbean, a grant from the European Commission.
- Development of Research Uptake in Sub-Saharan Africa, funded the 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 five year project

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- 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 project funded by the European Commission. This has now become Research Data Alliance Europe (RDA), also funded by the European Commission.
- PACE Net Plus – promoting Science, Technology & Innovation cooperation between EU and Pacific regions, funded by the European Commission.
- Structured Training for African Researchers (STARS), brings together 12 universities in Africa to help support their early career academics. Funded by the Robert Bosch Foundation, launched July 2014
- Climate Impacts Research Capacity and Leadership Enhancement (CIRCLE) Funded by DFID, and administered by the ACU with the African Academy of Sciences (AAS), the scheme seeks to develop the skills and research of early career African researchers in climate change.
- The Africa Desk - a directory of African and UK scholars, funded by the British Academy. ([www.africadesk.ac.uk](http://www.africadesk.ac.uk))

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, national governments and various international fora.

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. The ACU organises its work in this area around four priority themes:

- Research management and research uptake
- Early career academics
- Data and scholarly communications
- Partnerships and collaboration

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

## **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 London, UK in October 2013. 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 Council's committees are the Executive Committee, the Audit & Risk Committee and the Remuneration Committee.

The Executive Committee is elected annually by the Council. 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 2013/14. It consists of three members, two of whom are serving members of the Council. The third place is filled by an independent member. The Chair of the Audit and Risk Committee is appointed by Council, from its members, and has the power to co-opt additional members should the need arise.

The Remuneration Committee consists of the Honorary Treasurer (Chair), two Vice-Chancellors from UK member institutions and one independent member with UK professional Human Resources knowledge.

## **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. Due to the ACU's increasing activities, in January 2014 the posts of Director of Scholarships, Director of Programmes and Director of Member Engagement joined the Senior Management Team.



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## **Council's Report**

### ***Council members***

The current Council members are detailed on page 1.

### **Financial report**

The Statement of Financial Activities (SOFA) for the year is set out on page 13 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 gains on investment assets of £439k compared with the previous year's net incoming resources of £265k.

Unrestricted Fund income of £5,007k was £202k (4%) above the level of the previous year, £4,805k. The major factors relating to this increase were:

Membership income of the ACU increased slightly to £1,052k from £1,026k.

External administration fees increased to £3,386k from £3,258k, the increases coming from the Chevening contract which increased staffing in preparation for future growth in scholar numbers (£91k) and Commonwealth Scholarship activities (£33k) while other contracts increased £4k.

Member activities includes conferences, strategic management and Network clubs plus the promotion advisory service. Income rose to £286k from £210k due to the Centenary Conference income.

Although ACU staff time is in demand for expert project work, consultancy activities decreased to £41k from £58k.

Hire of accommodation fell to £23k from £27k as the ACU's has converted its meeting rooms into office accommodation in the expansion of its activities.

Investment income increased to £219k from £209k. Although cash balances now generate almost no income, the investment portfolio performs well.

Total resources expended were £4,568k, roughly level with £4,540k the previous year.

Tight cost control continued to be applied to maintain the ACU's financial position. Staff costs increased to £3,182k by £83k from £3,099k. Adjusting for the "one off" £175k voluntary redundancy cost included in 2012/13, the increase was £258k from £2,924k, or 9%. Although average employed staff numbers increased, the cost of agency staff fell. Allowing for these factors and increased recruitment and training costs, staff costs remained broadly similar between the two years.

Non-staff costs remained broadly in line with 2013/14 – overall they fell to £1,386k by £55k from £1,441k, mostly accounted for by the reduction in Chevening non-staff costs to £177k, down from £209k, as 2012/13 included start up investment.

£506k net movement in Unrestricted Funds includes £67k gain on investment assets (2012/13 £655k gain), reflecting an upward drift 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 four restricted funds in deficit at the balance sheet date. The Canada Memorial Foundation Fund will receive future income to exceed expenditure. CAAST Net, Promoting Africa Europe Research Infrastructure Partnerships and, International Collaboration on Research Data Infrastructure / Research Data Alliance, are funded by the European Commission and at 31 July 2014 all awaited income instalments.

#### ***Endowment Funds***

The Permanent & Expendable Endowment Funds generated £412k of investment income during the year, £22k down on £434k in 2012/13. All the endowment income was credited to the relevant Restricted Funds. £150k funded ACU Development Fellowships, £21k funded Annenberg Scholarships, £29k funded Marshall Sheffield Scholarships, £4k funded Boyle Medical Electives and £204k funded the CSFP Anniversary Scholarships. The value of the Permanent Endowments stood at £11,208k at 31 July 2014, an increase of £269k on the year. This comprises £34k donations plus £235k gain on investments.

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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 £6,762k at the year end. It received £33k donations - £31k from the Government of Sri Lanka plus £2k donations from individuals.

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 £481k 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 £653k at the year end.

### **Summary**

During a period of continued worldwide economic difficulty, ACU income has held up well. Membership numbers have fallen very slightly (from 531 to 523) in a time of considerable turbulence for higher education, but membership subscription income has increased £26k in line with an increase in subscription rates. External administration income increased £128k (4%). Costs have been well managed while growing these activities and developing member services and new business, so that the ACU managed £439k surplus of income over expenditure on its Unrestricted Funds, up £174k on £265k the previous year. ACU Unrestricted Funds also increased in value by £67k due to investment gains, resulting in an increase in Unrestricted Funds to £6.8m.

### **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 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 £6.8 million, towards the middle of this range.

### **Investments of the Association**

#### **Investment Objectives**

The ACU now has five investment portfolios. The Unrestricted Reserves include the ACU Main investment fund, which has an equity portfolio (£6.7m 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. The ACU Main fund and Endowment fund are invested in Sarasin's Alpha Common Investment Fund for Endowments. The CSFP Anniversary Funds (Endowment and Restricted) transferred to this fund when it was launched in February 2014.

The investment objective of the ACU'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 fund is benchmarked against a composite comprising:

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	<u>%</u>	<u>Benchmark Index Comparator</u>
Fixed Interest	20.0	FTSE Government All-Stocks Index
UK Equities	37.5	FTSE All Share Index
Overseas Equities	37.5	FTSE World (ex UK) £ index
Other / Cash	5.0	UK 7 day LIBID

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

	<u>%</u>	<u>Range %</u>	<u>Benchmark Index Comparator</u>
Overseas Property	3.5	0-7.5	EPRA/NAREIT (GBP) (Global) S&P Developed Property
UK Equities	30.0	20-50	FTSE All Share 5% Capped Index
UK Bonds	17.5	7.5-35.0	FTSE Gilts All Stocks (9%) BofA ML £ Corporate (8.5%)
UK Property	4.0	0-7.5	IPD Monthly All Balanced Property Funds
Global Equities (hedged)	15.0	10-30	MSCI AC World ex UK (Local Currency - £)
Global Equities	25.0	10-30	MSCI AC 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:

	<u>%</u>	<u>Range %</u>	<u>Benchmark Index Comparator</u>
Overseas Property	1.0	0-7.5	EPRA/NAREIT (GBP) (Global)
UK Equities	10.0	0-20	FTSE All Share Index
UK Property	3.0	0-10	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

### Investment performance for the year ended 31 July 2014

<b>Fund</b>	<b>Value at 31 July 2014 £'000</b>	<b>Actual Performance %</b>	<b>Benchmark %</b>
ACU Main fund	6,695	4.8	6.5
Endowment fund	3,958	4.8	6.5
CSFP Anniversary endowment & restricted	7,238	1.4	3.8
Annenberg endowment	482	5.7	7.1
Marshall Sherfield expendable endowment	654	5.7	7.1
Performance year to date, gross of fees at 0.60%. The fund launched in February 2014 and so has not achieved a full year of performance yet.			

It should be noted also that the estimated return from the average charity (WM Charity Survey) was +6.6% for the 12 months to 31 July 2014.

### 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

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### **Council's Report**

- 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 2015. These plans include:

- a new post to manage the range of scholarships and fellowships funded by investments held by the ACU
- continuation of the post Millennium Development Goals campaign
- the launch of ACU member Communities
- a major conference, *Research & Innovation for Global Challenges*, Johannesburg, May 2015
- development of the ACU's portfolio of programmes and projects (mostly externally funded)
- externally led expansion of scholarship administration.

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## **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



**Olive Mugenda**  
**Chair of the Council**

4 December 2014

## **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 2014 set out pages 13 to 32.

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 Trustees' Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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 Trustees Annual 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**

Crowe Clark Whitehill LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

*5 January 2015*

# The Association of Commonwealth Universities

## Statement of Financial Activities For the year ended 31 July 2014

	Unrestricted funds 2014 £'000	Restricted funds 2014 £'000	Endowment funds 2014 £'000	Total 2014 £'000	Total 2013 £'000
<b>Incoming resources</b>					
<b><i>Incoming resources from generated funds</i></b>					
Membership income	1,052	-	-	1,052	1,026
Investment income / interest (note 4)	219	476	-	695	643
Other income (note 5)	23	-	-	23	30
<b>Total incoming resources from generated funds</b>	<b>1,294</b>	<b>476</b>	<b>-</b>	<b>1,770</b>	<b>1,699</b>
<b><i>Incoming resources from charitable activities</i></b>					
Grants & donations (note 2)	-	945	34	979	784
External administration fees (note 3)	3,386	-	-	3,386	3,258
Consultancy activities	41	-	-	41	58
Member activities	286	-	-	286	210
<b>Total incoming resources from charitable activities</b>	<b>3,713</b>	<b>945</b>	<b>34</b>	<b>4,692</b>	<b>4,310</b>
<b>Total incoming resources</b>	<b>5,007</b>	<b>1,421</b>	<b>34</b>	<b>6,462</b>	<b>6,009</b>
<b>Resources expended</b>					
<b><i>Costs of generating funds</i></b>					
Membership communication	704	-	-	704	1,174
Investment management costs	30	69	-	99	85
<b>Total costs of generating income</b>	<b>734</b>	<b>69</b>	<b>-</b>	<b>803</b>	<b>1,259</b>
<b><i>Charitable activities</i></b>					
Scholarships, grants and awards	-	310	-	310	193
External and fund administration	2,941	26	-	2,967	2,864
Consultancy activities	41	-	-	41	48
Member activities	773	-	-	773	375
Research grants	-	719	-	719	693
<b>Total charitable activities</b>	<b>3,755</b>	<b>1,055</b>	<b>-</b>	<b>4,810</b>	<b>4,173</b>
<b>Governance costs (note 7)</b>	<b>79</b>	<b>-</b>	<b>-</b>	<b>79</b>	<b>72</b>
<b>Total resources expended (note 6)</b>	<b>4,568</b>	<b>1,124</b>	<b>-</b>	<b>5,692</b>	<b>5,504</b>
<b>Net incoming resources before other recognised gains and losses (note 9)</b>	<b>439</b>	<b>297</b>	<b>34</b>	<b>770</b>	<b>505</b>
Gains/(losses) on investment assets	67	11	246	324	2,307
<b>Net movement in funds</b>	<b>506</b>	<b>308</b>	<b>280</b>	<b>1,094</b>	<b>2,812</b>
Funds brought forward	6,340	1,025	11,581	18,946	16,134
<b>Funds carried forward</b>	<b>6,846</b>	<b>1,333</b>	<b>11,861</b>	<b>20,040</b>	<b>18,946</b>

### Continuing operations

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

The notes on pages 16 to 32 form part of these financial statements.

# The Association of Commonwealth Universities

## Balance Sheet 31 July 2014

	Note	2014 £'000	2013 £'000
<b>Fixed assets</b>			
Tangible assets	9	64	82
Investments	10	19,012	17,630
		<u>19,076</u>	<u>17,712</u>
<b>Current assets</b>			
Debtors	11	1,222	675
Cash at bank and in hand		512	1,366
		<u>1,734</u>	<u>2,041</u>
<b>Creditors: amounts falling due within one year</b>	12	(770)	(807)
		<u>964</u>	<u>1,234</u>
<b>Net current assets</b>			
		<u>20,040</u>	<u>18,946</u>
<b>Net assets</b>			
<b>Funds</b>			
Unrestricted funds: General		6,846	6,340
Restricted funds	14	1,333	1,025
Endowment funds	13	11,861	11,581
		<u>20,040</u>	<u>18,946</u>
<b>Total funds</b>	17		

These financial statements were approved and authorised for issue by the Council on 4 December 2014 and signed on their behalf by:



**Olive Mugenda**  
Chair of the Council



**J Wood**  
Secretary General

The notes on pages 16 to 32 form part of these financial statements.



# The Association of Commonwealth Universities

## Cash Flow Statement 31 July 2014

	Note	2014 £'000	2013 £'000
<b>Operating Activities</b>			
Net cash inflow / (outflow) from operating activities		(482)	(31)
<b>Returns on Investment</b>			
Investment Income and Interest	4	695	643
<b>Capital expenditure</b>			
Purchase of tangible assets	9	(42)	(35)
Disposal of listed investments	10(b)	1,968	1,192
Disposal of term deposits		-	1,000
Acquisition of listed investments	10(b)	(3,027)	(2,317)
		<u>(888)</u>	<u>(160)</u>
<b>Financing</b>			
Endowment donations		<u>34</u>	<u>72</u>
<b>Increase / (Decrease) in cash</b>		<u>(854)</u>	<u>524</u>

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

	2014 £'000	2013 £'000
Net incoming resources	770	505
Investment income received	(695)	(643)
Endowment donations	(34)	(72)
Depreciation charge	60	51
(Increase) / decrease in debtors	(547)	18
(Decrease) / increase in creditors	(37)	74
Investment Management fee rebate	1	36
<b>Net cash (outflow) from operating activities</b>	<u>(482)</u>	<u>(31)</u>

### Analysis of Net Cash Resources

	Opening balances £'000	Cash Flow £'000	Closing balances £'000
Cash at bank and in hand	<u>1,366</u>	<u>(854)</u>	<u>512</u>

# The Association of Commonwealth Universities

## Notes to the financial statements Year ended 31 July 2014

### 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 2014

### 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) Forward exchange contracts

ACU has entered into forward exchange contracts during the year to hedge forward currency exposure on future programme expenditure. Forward currency exchanges made under these contracts are recorded at the specified rate at the time of the transaction.

#### (l) 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 2014

### 2. Grants and donations received

	2014 £'000	2013 £'000
<b>Grants from UK Government</b>		
Department of Business Innovation & Skills – CAAST Net support	-	30
Department for International Development – DRUSSA & DRUSSA Extension	512	249
Department for International Development – CIRCLE	76	
Department for International Development – Building Capacity to Use Research Evidence	-	9
	<u>588</u>	<u>288</u>
<b>Grants from other Agencies</b>		
European Commission – PACE Net Plus	76	-
European Commission – CAAST Net Plus	-	303
European Commission – Research & Innovation Management Improvement	75	39
European Commission – International Collaboration on Research Data Infrastructure	20	35
European Commission – DOC Links	13	23
Global Health Consulting	-	3
Commonwealth Secretariat – ACU Residential School	3	-
Commonwealth Scholarship Commission – ACU Residential School	7	-
	<u>194</u>	<u>403</u>
<b>Grants from charitable foundations</b>		
British Academy	14	5
Canada Memorial Foundation	6	9
Marshall Sherfield Fellowship Foundation	12	14
Bosch	129	-
Carnegie Corporation (balance of grant returned)	-	(8)
	<u>161</u>	<u>20</u>
<b>Donations</b>		
Government of Sri Lanka	31	-
Government of Barbados	-	25
Cameroon High Commission	-	40
Clarks Legal	-	5
Sarasin Investment Management	1	-
Individuals & Organisations	4	3
	<u>36</u>	<u>73</u>
	<u>979</u>	<u>784</u>

# The Association of Commonwealth Universities

## Notes to the financial statements Year ended 31 July 2014

### 3. External administration fees

	2014 £'000	2013 £'000
Commonwealth Scholarship award schemes	1,207	1,284
Marshall Scholarship scheme	178	168
Staff & Educational Development Association	105	107
CSFP Alumni	85	94
CSFP Evaluation	174	162
CSFP External Liaison	107	
Chevening Scholarships	1,518	1,427
Other schemes	12	16
	<u>3,386</u>	<u>3,258</u>

### 4. Investment income and interest

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2014 £'000	Total 2013 £'000
Income: managed investments	216	476	692	636
Interest: cash deposits	3	-	3	7
	<u>220</u>	<u>476</u>	<u>695</u>	<u>643</u>

### 5. Other income

	2014 £'000	2013 £'000
<b>Unrestricted</b>		
Hire of accommodation	23	27
Contribution to Centenary event	-	3
<b>Total</b>	<u>23</u>	<u>30</u>

# The Association of Commonwealth Universities

## Notes to the financial statements Year ended 31 July 2014

### 6. Analysis of total resources expended

	Staff costs £'000	Consultant costs £'000	Office and facility costs £'000	Other costs £'000	Total £'000	2013 £'000
<b>Costs of generating funds:</b>						
Membership communication	507	12	137	48	704	1,174
Investment management costs	-	-	-	99	99	85
<b>Charitable activities:</b>						
Scholarships, grants and awards	-	-	-	310	310	193
External and fund administration	2,253	99	585	30	2,967	2,864
Consultancy activities	25	-	16	-	41	48
Member activities	362	85	208	118	773	375
Research grants	393	-	326	-	719	693
<b>Governance costs (note 7)</b>	<b>44</b>	<b>-</b>	<b>9</b>	<b>26</b>	<b>79</b>	<b>72</b>
	<b>3,584</b>	<b>196</b>	<b>1,281</b>	<b>631</b>	<b>5,692</b>	<b>5,504</b>

#### Member activities

Member activities comprise Conferences, Strategic Management & Network Clubs, ACU Measures benchmarking, post 2015 Campaign 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. The analysis and allocation of support costs is as follows:

	Support costs £'000
<b>Costs of generating funds:</b>	
Membership communication	115
<b>Charitable activities:</b>	
External and fund administration	741
Consultancy activities	16
Member activities	237
<b>Governance costs</b>	<b>16</b>
	<b>1,125</b>

### 7. Governance costs

	2014 £'000	2013 £'000
Staff costs	44	46
Office & facility costs	9	10
Council Meeting & Annual Report	10	1
Audit compliance	14	13
Other	2	2
	<b>79</b>	<b>72</b>

# The Association of Commonwealth Universities

## Notes to the financial statements Year ended 31 July 2014

### 8. Net incoming resources for the year

Net incoming resources for the year are stated after charging:

	2014 £'000	2013 £'000
(a) Auditors' remuneration		
Audit fees	14	13
Other non-audit work (VAT advice & EC grant audit)	1	-
	<u>15</u>	<u>13</u>

#### (b) Staff costs:

The average monthly number of persons employed by the ACU (calculated on a full-time equivalent basis), was 76 during 2014 (2013: 66).

	2014 £'000	2013 £'000
Wages and salaries	2,801	2,636
Social security costs	233	223
Pension costs	349	291
Agency staff	110	219
Recruitment	30	22
Training and welfare	61	30
	<u>3,584</u>	<u>3,421</u>

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

	2014 Number	2013 Number
£60,001 to £70,000	1	1
£70,001 to £80,000	1	-
£80,001 to £90,000	2	2
£110,001 to £120,000	1	1
	<u>5</u>	<u>4</u>

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

The highest paid member of staff earned £118k. This was 5.7 times the salary earned by the lowest paid member of staff.

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

No Trustee received any remuneration in the year (2013: £nil).

One Trustee was reimbursed £90 for travel expenses incurred during the year (2013: no Trustee, £nil).

# The Association of Commonwealth Universities

## Notes to the financial statements Year ended 31 July 2014

### 9. Tangible fixed assets

	Computer equipment £'000	Office equipment £'000	Furniture & fixtures £'000	Total £'000
<b>Cost</b>				
At 1 August 2013	184	2	15	201
Additions	42	-	-	42
Disposals	-	-	-	-
At 31 July 2014	226	2	15	243
<b>Depreciation</b>				
At 1 August 2013	102	2	15	119
Charge for year	60	-	-	60
Disposals	-	-	-	-
At 31 July 2014	162	2	15	179
<b>Net book value</b>				
At 31 July 2014	64	-	-	64
At 31 July 2013	82	-	-	82



# The Association of Commonwealth Universities

## Notes to the financial statements Year ended 31 July 2014

### 10. Investments

#### (a) Analysis by type

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2014 £'000	Total 2013 £'000
Quoted investments	6,695	772	11,517	18,984	17,626
Cash held for investment purposes	-	-	28	28	4
	<u>6,695</u>	<u>772</u>	<u>11,545</u>	<u>19,012</u>	<u>17,630</u>

#### (b) Movements in quoted investments

	Unrestricted funds		Restricted & Endowment funds	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Market value, 1 August	5,628	3,948	11,998	10,280
Acquisitions at cost	1,011	1,007	2,115	1,310
Disposals at opening market value	-	-	(2,067)	(1,192)
Net unrealised (losses) / gains on revaluation	56	673	243	1,600
Market value, 31 July	<u>6,695</u>	<u>5,628</u>	<u>12,289</u>	<u>11,998</u>
Cost, 31 July	<u>5,980</u>	<u>4,969</u>	<u>11,543</u>	<u>9,722</u>

### 11. Debtors and prepayments

	2014 £'000	2013 £'000
Member subscriptions	59	28
Trade debtors	811	429
Sundry debtors	145	115
Accrued Income	149	
Prepayments	58	103
	<u>1,222</u>	<u>675</u>

# The Association of Commonwealth Universities

## Notes to the financial statements Year ended 31 July 2014

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

	2014 £'000	2013 £'000
Trade creditors	150	98
Deferred income	308	299
Income tax and National insurance contributions	77	66
Value added tax	114	130
Publishers – African library holding account	4	25
Sundry creditors	60	164
Accruals	57	25
	<u>770</u>	<u>807</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	3,800	-	55	3,855
CSFP Anniversary endowment	6,558	33	171	6,762
Edward Boyle endowment	101	-	1	102
Annenberg Foundation endowment	473	-	8	481
ACU Second Century endowment	7	1	-	8
	<u>10,939</u>	<u>34</u>	<u>235</u>	<u>11,208</u>
<b>Expendable endowments</b>				
Marshall Sherfield endowment	642	-	11	653
<b>Total endowments</b>	<u>11,581</u>	<u>34</u>	<u>246</u>	<u>11,861</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 2014, no funds were drawn down. (In the year ended 31 July 2013, 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 2014

### 14. Restricted Funds

	Opening value of funds £'000	Grants/ Donations/ Subscriptions £'000	Investment Income / Gains £'000	Total Income £'000
ACU Development Fellowships	195	-	150	150
Marshall Sherfield Fellowship s	2	12	29	41
Annenberg	-	-	21	21
Mzuzu University, Malawi	2	1	-	1
Edward Boyle (Medical Electives)	1	-	4	4
CSFP Anniversary Fund	591	1	283	284
Canada Memorial Foundation	(9)	6	-	6
Symons Medal	11	-	-	-
ACU Residential School	153	10	-	10
CAAST Net project	(29)	-	-	-
CAAST Net Plus	215	-	-	-
PACE Net Plus	-	76	-	76
DRUSSA	(25)	426	-	426
DRUSSA Extension	-	86	-	86
DOC Links	(10)	13	-	13
Promoting Africa Europe Research Infrastructure Partnerships (PAERIP)	(14)	-	-	-
Structured Training for African Researchers (STARS)	-	129	-	129
Climate Impacts Research Capacity and Leadership Enhancement (CIRCLE)	(4)	76	-	76
Wellcome Trust	7	-	-	-
British Academy Africa Desk	-	14	-	14
CSFP Anniversary Governance	9	-	-	-
International Collaboration on Research Data Infrastructure (ICORDI) / Research Data Alliance (RDA)	(8)	20	-	20
Research & Innovation Management Improvement: Africa / Caribbean	(71)	75	-	75
Commonwealth Secretariat	9	-	-	-
<b>Total</b>	<b>1,025</b>	<b>945</b>	<b>487</b>	<b>1,432</b>

# The Association of Commonwealth Universities

## Notes to the financial statements Year ended 31 July 2014

### 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	345	189	156	-	156
Marshall Sherfield Fellowship s	43	42	1	-	1
Annenberg	21	21	-	-	-
Mzuzu University, Malawi	3	2	1	-	1
Edward Boyle (Medical Electives)	5	4	1	-	1
CSFP Anniversary Fund	875	102	772	-	772
Canada Memorial Foundation	(3)	2	(5)	-	(5)
Symons Medal	11	4	7	-	7
ACU Residential School	163	35	128	-	128
CAAST Net	(29)	1	(30)	-	(30)
CAAST Net Plus	215	101	114	-	114
Pacific Europe Network for Science Technology & Innovation (PACE Net Plus)	76	14	62	-	62
DRUSSA	401	356	45	-	45
DRUSSA Extension	86	60	26	-	26
DOC Links	3	3	-	-	-
Promoting Africa Europe Research Infrastructure Partnerships (PAERIP)	(14)	-	(14)	-	(14)
Structured Training for African Researchers (STARS)	129	47	82	-	82
Climate Impacts Research Capacity and Leadership Enhancement (CIRCLE)	72	57	15	-	15
Wellcome Trust	7	7	-	-	-
British Academy Africa Desk	14	8	6	-	6
CSFP Anniversary governance	9	6	3	-	3
International Collaboration on Research Data Infrastructure (ICORDI) / Research Data Alliance (RDA)	12	50	(38)	-	(38)
Research & Innovation Management Improvement: Africa / Caribbean	4	4	-	-	-
Commonwealth Secretariat	9	9	-	-	-
<b>Total</b>	<b>2,457</b>	<b>1,124</b>	<b>1,333</b>	<b>-</b>	<b>1,333</b>

# The Association of Commonwealth Universities

## Notes to the financial statements Year ended 31 July 2014

### 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.	153	87
Marshall Sherfield Fellowship Scheme	A programme to support US post-doctoral fellows at UK universities.	35	1
Annenberg Foundation	Income from the Annenberg Foundation endowment is transferred to the Marshall Aid Commemoration Commission	19	-
Mzuzu University, Malawi	Tuition fee support for MSc Mathematics students at Mzuzu University, Malawi	2	5
Edward Boyle Medical Electives	Medical electives supported by income derived from an endowment.	3	6
ACU Residential School	Support for international students to attend the ACU summer school	35	16
CSFP Anniversary Fund	Provides scholarships hosted by low and middle income Commonwealth countries	61	14
Symons Medal	Established by Professor T Symons, the Symons Medal is awarded annually in recognition of major contributions to higher education in the Commonwealth	-	1
Canada Memorial Fund	Scholarship programme to support UK students to study postgraduate degrees in Canada	2	-
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	-	-
<b>Total value and number of awards to individuals</b>		<b>310</b>	<b>130</b>

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

# The Association of Commonwealth Universities

## Notes to the financial statements Year ended 31 July 2014

### 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	1,076	15,675	16,290	461
Commonwealth Scholarship & Fellowship Plan	9,344	24,178	24,253	9,269
CUSAC	14	(14)	-	-
Heads of Educational Development Group	11	15	12	14
DRUSSA Extension	-	137	16	121
CIRCLE	-	52	17	35
<b>Total Third Party Sterling Funds</b>	<b>10,445</b>	<b>40,043</b>	<b>40,588</b>	<b>9,900</b>
<b>Funds held in euro</b>				
European Commission CAAST Net grant	136	-	-	136
European Commission CAAST Net Plus grant	122	-	122	-
European Commission DOC Links grant	1	13	14	-
<b>Total Third Party Euro Funds</b>	<b>259</b>	<b>13</b>	<b>136</b>	<b>136</b>

### 17. Analysis of assets between Funds

	Fixed assets £'000	Investments £'000	Net current assets £'000	Total £'000
Endowment funds	-	11,860	1	11,861
Restricted funds	-	478	855	1,333
Unrestricted funds	64	6,674	108	6,846
	<b>64</b>	<b>19,012</b>	<b>964</b>	<b>20,040</b>

### 18. Future financial commitments

#### Operating leases

At 31 July 2014 the ACU had annual commitments under operating leases as set out below:

	2014 Land and buildings £'000	2013 Land and buildings £'000
Operating leases which expire:		
Within five years	303	303
After five years	-	-

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## Notes to the financial statements Year ended 31 July 2014

### Forward exchange contracts

ACU has entered into four forward exchange contracts during the year to hedge forward currency exposure on future programme expenditure. These contracts to purchase South African Rand (ZAR) using sterling (GBP) are for specific sums at specific rates between 17.2855 and 17.7011. At 31 July 2014 a combined purchase value of ZAR 4,044,688 remained on these contracts representing most of the forecast ZAR correlated overseas charitable expenditure for 2014/15.

### 19. ACU Trading Ltd

In July 2014 ACU established a wholly owned subsidiary company to employ staff in order to supply their services to ACU. In the month of July ACU Trading Ltd employed six staff and sold their services to ACU. The income and expenditure for the period ended 31 July 2014 were equal at £13,609, and net assets were nil. The results are not material to the group so consolidated accounts have not been prepared.

### 20. 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.

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 2014 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

## Notes to the financial statements Year ended 31 July 2014

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 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 an 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 trustee has determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. In 2011 the actuary estimated that if experience remained in line with the assumptions made, the shortfall at 31 March 2014 would be £2.2 billion, equivalent to a funding level of 95%.

However, changes to market conditions between March 2011 and March 2014 have had an impact on scheme funding. The next formal triennial valuation will take place as at 31 March 2014, and work is currently underway to update the actuarial assumptions and allow for any adjustments to the overall funding approach adopted by the trustee board in consultation with stakeholders.

As work on the 2014 valuation is not yet complete the trustee cannot provide the final figure however, an estimate has been provided using the assumptions used to deliver the 2011 actuarial valuation. On that basis, the actuary has estimated that the funding level under the scheme specific funding regime will have fallen 92% at March 2011 to 85% at March 2014. This estimate is based on the results of the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions.

The funding level has decreased mainly due to a decrease in real gilt yields, reducing the implied net discount rate and therefore placing a higher value on the scheme's liabilities. The increase has been partially offset by a higher than expected investment return.

On the FRS17 basis, using an AA bond discount rate of 4.5% per annum based on spot yields, the actuary estimates that the funding level at March 2014 was 75%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 61%.

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 (Valuation rate of interest)	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI and CPI	Decrease by 0.25%	Increase by £1.0 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion
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

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 was included, in addition, on account of the variability mentioned above.



**Notes to the financial statements**  
**Year ended 31 July 2014**

As at the 2011 valuation 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 of 31 March 2011 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 trustee's role is to set risk and return parameters which reflect the strength of the sponsoring employers and the nature of the scheme's liabilities. These parameters, taken together with the anticipated returns form the basis of the trustee's funding strategy. These parameters are informed by advice from its internal investment team, its investment consultant and the scheme actuary, as well as an independent assessment of the support available from the sponsoring employers. The trustee remains confident that it can continue to take a long term view of scheme funding, backed as it is by a robust Higher Education (HE) sector.

The fund is invested in a wide range of asset classes, both publicly traded (including equities and fixed income) and private (including private equity, infrastructure, property and timberland). A diversified portfolio helps to spread investment risk across different asset classes and to boost the level of confidence in maintaining sufficient investment returns from the fund as a whole. This investment approach is innovative and responsible, and targeted at achieving returns required to meet the scheme's liabilities. Recently, the trustee has invested directly in infrastructure assets. These investments are typically illiquid, but can achieve attractive inflation-linked returns in ways often not available in the publicly traded markets and which can match the scheme's liabilities to a high degree.

At 31 March 2014, USS had over 162,000 active members and the institution had 54 active members participating in the scheme.

The total USS pension cost for the ACU was £317K (2013: £272K). This includes £42K (2013: nil) 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 Association of Commonwealth Universities

## Notes to the financial statements Year ended 31 July 2014

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.