

# **The Association of Commonwealth Universities**

**Annual report and financial statements**

**31 July 2016**

**Charity Registration No. 314137**

**The Association of Commonwealth Universities**  
**Annual report and financial statements 2016**

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## **The Association of Commonwealth Universities**

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

#### **Council members**

Chair:	Professor Jan Thomas – University of Southern Queensland, Australia
Vice-Chair:	Professor Cheryl de la Rey – University of Pretoria, South Africa
Honorary Treasurer:	Professor James McWha – University of Rwanda, Rwanda
Other members:	Professor Edward Oben Ako – University of Maroua, Cameroon
	Professor (Ms) Vasanthy Arasaratnam – University of Jaffna, Sri Lanka
	Professor Arun Diwaker Nath Bajpai – Himachal Pradesh University, India
	Engr Ahmed Farooq Bazai – Balochistan University of Information Technology, Engineering and Management Sciences, Pakistan
	Professor Rahamon A. Bello – University of Lagos, Nigeria
	Professor Paul Boyle – University of Leicester, UK
	Professor Amit Chakma – Western University, Canada
	Professor Stuart Corbridge – Durham University, UK
	Professor Dato' Mohd Amin Jalaludin – University of Malaya, Malaysia
	Professor Romeela Mohee – University of Mauritius
	Professor Dr. Md. Mahbubar Rahman – Bangabandhu Sheikh Mujibur Rahman Agricultural University, Bangladesh
	Professor Idris Rai – State University of Zanzibar, Tanzania
	Professor Deep Sanai – University of Canberra, Australia
	Professor Ranbir Singh – National Law University, Delhi, India
	Professor Christina Slade – Bath Spa University, UK

#### **Audit Committee members**

Chair:	Professor Christina Slade – Bath Spa University, UK
Other members:	Professor Idris Rai – State University of Zanzibar, Tanzania
Co-opted member:	Mr Graeme Appleby - School of Oriental and African Studies

#### **Remuneration Committee members**

Chair:	Professor James McWha - University of Rwanda, Rwanda
Other members:	Professor Julia Buckingham – Brunel University, UK
	Professor David Greenaway – University of Nottingham, UK
	Ms Alison Jones – Leadership Foundation, UK

*The above lists are as at 30 November 2016*

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## **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 and Wales), regulated by the Charity Commission. 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 495 in 40 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 the sharing of problems, solutions, and best practice across a variety of higher education environments.

On 7 July 2014, the ACU set up ACU Trading Limited which was incorporated as a Private Limited Company by shares. The company is the wholly owned subsidiary of the ACU and its results for the period have been consolidated into the ACU's Group Financial Statements for the year ended 31 July 2016 (Company registration number: 9119389).

### **Mission, vision and values**

The ACU's mission is to promote and support excellence in higher education for the benefit of individuals and societies throughout the Commonwealth and beyond. We bring together many of the most prestigious and well-funded universities internationally with relatively new institutions in some of the world's least developed countries, bound together by a common belief in the value of higher education to society, the conviction that this value is enhanced by international collaboration, and a passion for rigour and excellence in everything that we and our member universities do. This mission has driven the ACU's support for its members for 100 years. The ACU was established as a Bureau in January 1913, following a Congress organised in London in July 1912. That Congress accepted 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.

The ACU's vision is vibrant and exciting universities that use their transformational power to:

- Create opportunities for individuals to fulfil their potential
- Increase understanding through international partnerships – both inside and outside the higher education sector
- Contribute to the cultural, economic, and social development of every nation

### **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 accordance with the requirements of the Charities Act 2011. 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:

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**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, experiences, information, and best practice, and to benchmark their performance against that of other institutions. Where members wish, the ACU will speak on their behalf on matters of concern to higher education.

In July 2016, the ACU hosted its biennial **Conference of University Leaders** at Accra International Conference Centre in Ghana. The Conference, which was held in partnership with Vice-Chancellors' Ghana, provided a platform for senior university staff to debate key issues in higher education and explore shared solutions with a diverse range of international colleagues. It was one of the most high profile higher education events in Africa that year and the ACU's first major event in the region since 1971. Taking as its theme 'Defining the responsible university: society, impact and growth', the three-day conference attracted more than 250 delegates from 35 countries. Talks, debates, and practical sessions all focused on the role and remit of a 'responsible' university, with topics including the role of universities in addressing historical injustice, how undergraduate curriculums can best meet the needs and expectations of a new generation of students, and the extent to which universities can meet labour market needs. Among the highlights was a discussion between representatives from Buddhist, Christian, and Islamic universities exploring the role of higher education institutions in promoting tolerance and respect, and a lively grand debate on whether society expects too much of higher education. Speakers included Kofi Annan, former Secretary-General of the United Nations, and The Rt Hon Patricia Scotland QC, the first female Secretary-General of the Commonwealth.

'The World beyond 2015 – Is higher education ready?' campaign concluded in September 2015, with a final paper published in the week that the UN General Assembly formally adopted the Sustainable Development Goals (SDGs). During its 18-month duration, the campaign gathered and published 120 submissions from contributors in more than 31 countries, including evidence and opinion from government bodies, funding agencies, and civil society organisations, as well as from higher education institutions themselves. Of these submissions, three-quarters were from HEIs, including 56% from ACU member universities.

The **ACU Member Communities** are special interest groups that connect colleagues and other stakeholders working in three key areas of university activity. The Communities were launched in 2014/15 to bring university staff from across the Commonwealth together to share their experiences, explore ideas, and discover potential avenues for collaboration. The Member Communities operate alongside the **ACU Human Resource Management Network**, and undertake a range of activities. In 2015/16, these included study tours, online forums, regular newsletters and blogs, information on forthcoming publications and events, and a range of articles from experts, practitioners, and other university professionals. The three Communities are:

- ACU Engage Community – for all university staff and stakeholders working or involved in university community engagement and outreach, including university public engagement staff, industrial liaison officers, research managers and communication officers, and those specialising in distance or open learning
- ACU Research, Knowledge and Information Community – for all university staff who support and encourage, but don't directly engage in, the research process, including those working in libraries and information, as well as research management and administration
- ACU internationalisation Community – for university staff involved in international education, including such areas as student and staff mobility, international campuses, and the internationalisation of curricula and research

The ACU continued its **Perspectives** speaker series, which offers 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'. Two Perspectives events were held in 2015/16:

- In January 2016, Datin Ir Dr Siti Hamisah binti Tapsir, Deputy Director General of the Malaysian government's Ministry of Higher Education, delivered a talk titled: 'A strategy for the next decade of Malaysian higher education'
- In July 2016, Dr Helen Rawson, Registered Nurse, Research Fellow, and Lecturer at Deakin University, Australia, delivered a talk titled: 'Is higher education enabling students to fulfil their civic responsibilities as future professionals in a global society? A perspective from nurse education in Australia'

The ACU serves as 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, the World Bank, national governments, and various international fora. In November 2015, the ACU staged a special session on gender in higher education as part of the Commonwealth

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Heads of Government Meeting (CHOGM) Women's Forum in Malta. The Forum was convened for the first time in the run up to CHOGM to look at good practice and opportunities for women in the Commonwealth. The ACU's Gender Programme also held a workshop in August 2015, titled 'Women in Higher Education Management: Breaking the Glass Ceiling', organised in partnership with Edu Leads Consultancy and the University of Malaya.

In November 2015, the ACU signed a Memorandum of Understanding with the University Grants Commission of Sri Lanka to implement a project aimed at **improving gender equity and equality** in all state universities in Sri Lanka by 2018. Initial activities included a high-level consultative dialogue in April 2016, which was attended by the vice-chancellors of all 15 Sri Lankan state universities, as well as the Prime Minister of Sri Lanka – The Honorable Ranil Wickremesingh – government ministers and secretaries with direct responsibility for higher education, and the Director-General of Police. The event was followed by a workshop for deans and student counsellors, and two 'training of trainers' workshops.

The ACU's annual **Strategic Management Programme** offers participating universities a unique and cost-effective opportunity to compare key management processes with those in a range of member and other institutions. The programme helps to identify emerging good practice, and assists in setting targets for improvement and identifying techniques for managing change. This enables members to learn from each other's experiences – both their challenges and successes – across international boundaries. The programme focuses on the effectiveness of institutional strategy and management processes (rather than operational delivery) within 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 2016, the annual exercise attracted four participant universities and the workshop was held at the University of Adelaide, Australia. Its key themes were 'Branding and marketing', 'Students as co-creators', and 'Alumni and development funding'.

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

and

**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**

The ACU continued to publish various titles on higher education topics, as well as the activities of the organisation itself. These included the *Bulletin* (the ACU's regular magazine for its members), *ACU Insights* (a report on international trends and issues for university senior management), occasional research studies, and a blog – *The ACU Voice*. In 2015, a series of blogs titled 'Measuring Success?' was launched, exploring the outcomes of international scholarship schemes in higher education. 2015 also saw the launch of *Realising Research* – the magazine of the ACU Research, Knowledge and Information Community.

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. It also continued to work with the International Network for the Availability of Scientific Publication to coordinate Publishers for Development (PfD) – a joint initiative which brings together stakeholders from key groups within the global research and publishing community with the aim of ensuring sustainable access to research and information. In June 2016, PfD's annual conference took place in Oxford, UK, and explored best practice for publishers engaging with developing countries.

**The Nairobi Process** is an ongoing series of discussions, facilitated by the ACU and the British Academy, around Africa-UK research collaboration and the provision of researcher support in African higher education. In April 2016, the ACU published a report titled *The next generation: Ideas and experience in African researcher support*, with funding and support from The British Academy. The report included institutional case studies and recommendations for structures and processes to support emerging researchers in their development.

**ACU Measures** is the ACU's annual online benchmarking exercise for university management, and provides a unique opportunity for member institutions to benchmark their performance in key areas of university management in a confidential and non-competitive way. Rather than seeking to rank institutions, ACU Measures helps universities to compare and contrast their practices and policies, supporting senior university management in decision-making and strategic planning. The exercise covers four areas: institutional profile, academic salaries,

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research management, and gender. Data on each is collected online and then made available for benchmarking, with results displayed in the aggregate to ensure confidentiality. The online platform allows users to generate individualised reports, tables and charts, with the additional option of exporting the data for further analysis.

### 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 (MACC) 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).

The ACU has accumulated a substantial endowment fund, the income of which is used to provide **grants to individual staff or nominees of member institutions to support international mobility**. The grants enable attendance at conferences, collaborative research, and other forms of professional and institutional development. The ACU commemorated its centenary by launching a series of grants of GBP 2,000 to enable junior academic staff to attend conferences outside their home country or region for the first time – in 2015/16, 30 such grants were paid. The majority of grants provide opportunities to those who could not otherwise afford them.

Another activity in this area is the administration of the **Commonwealth Scholarship and Fellowship Plan (CSFP) Anniversary Endowment**. This fund was established to mark the 50th anniversary of the CSFP, and supports a new strand of Commonwealth Scholarships hosted by developing Commonwealth countries. In 2015/16, a further 24 grant recipients benefited from this fund.

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 has a substantial role in encouraging the contribution of higher education in development. The annual **ACU Commonwealth Summer School** provides a forum for postgraduate students from across the Commonwealth to discuss multidisciplinary issues of global importance through a week-long residential course, and includes site visits, skills training, group project work, and lectures from international and local experts. In August 2015, the Summer School was hosted by three Canadian Universities – the University of Waterloo, Western University, and Wilfrid Laurier University – and explored the theme of 'Big data and the digital divide'.

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).

All 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 benefiting the countries and communities from which they come.

### To cooperate with other associations having similar objects with a view to the promotion of the objects of the Association

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

- CAAST-Net Plus – a network of 26 partner organisations from all over Europe and sub-Saharan Africa working together to support bi-regional cooperation in research and innovation, funded by the European Commission
- Development Research Uptake in Sub-Saharan Africa (DRUSSA) – a five-year programme supporting 22 universities across Africa to strengthen the management of research uptake, funded by DFID and led by the ACU in partnership with the Centre for Research on Evaluation, Science and Technology at the University of Stellenbosch in South Africa; Organisation Systems Design; the Science and Technology Policy Research Institute in Ghana; and the Uganda National Council for Science and Technology
- Research Data Alliance Europe (RDA) – a global forum driving convergence between emerging global data infrastructures, funded by the European Commission. This work started as the International Collaboration on Research Data Infrastructure project, also funded by the European Commission
- PACE Net Plus – a project to further bi-regional science, technology and innovation cooperation between the South Pacific island nations and the European Union, funded by the European Commission



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- Structured Training for African Researchers (STARS) – a project working with 12 African universities to develop and refine professional development for academic staff early in their careers, funded by the Robert Bosch Foundation
- Climate Impacts Research Capacity and Leadership Enhancement (CIRCLE) – a scheme to develop the skills and research outputs of early career researchers in Africa in the field of climate change, funded by DFID and administered by the ACU with the African Academy of Sciences
- The Africa Desk – a directory of African and UK scholars, funded by the British Academy
- The British Academy is also funding a small project to improve the early career paths for African academics
- Tackling Extremism – to develop practical means of promoting respect and objectivity among staff and students at faith-based universities, funded by the UK Foreign and Commonwealth Office
- Support for Research Management and Governance in Malaysia, funded by the British Council's Newton Fund
- Research and Innovation Network in Europe and Africa – a policy support project funded by the European Union to advance the EU's policy of international cooperation in scientific and technological research and innovation between Africa and Europe

The ACU provides research activity which strengthens understanding of how to improve issues which can separate higher education in developing and developed countries. This greater understanding can lead to public benefit through more just and equitable societies. The ACU actively seeks funding for further research opportunities across all its membership regions.

## Governance and management

Nominations to the ACU's governing Council are made by executive heads of ACU member institutions in four constituencies representing all regions of the Commonwealth. There are up to 23 Council members, comprising up to 20 elected members. These members may then co-opt two further members, if they conclude this is desirable to ensure balanced geographical and gender representation of the Council, plus one additional member if the honorary treasurer is not appointed from the elected Council members. Council members are appointed for a period of three years.

Council members are the Trustees of the ACU under UK charity law. Trustees are introduced to the role by briefings on UK charity governance and accounting, investment management and the diverse work of the ACU. The Council meets twice each year – most recently in Ghana in July 2016.. 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 ByeLaws, setting policy and strategic direction, and overseeing their implementation. Between Council meetings, the other powers of Council are delegated to its Executive Committee.

The Council's committees are the Executive Committee, the Audit and Risk Committee, and the Remuneration Committee. These committees report to Council.

The Executive Committee is elected by the ACU Council, and is made up of the Chair, the Vice-Chair, the Honorary Treasurer, and two other members of Council. A further member may be co-opted by the Chair should the need arise.

The Audit and Risk Committee was formed by the Executive Committee in September 2006. It met **once** in 2015/16, and consists of three members – two of whom are serving members of 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, Director of Finance and Resources, Director of Scholarships, Director of Programmes, and Director of Member Engagement (to March 2016). Their remuneration is determined and reviewed by the Remuneration Committee which considers the responsibilities of these posts and any relevant comparators.

## Council members

The current Council members are detailed on page 1.

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### Financial report

The Statement of Financial Activities (SOFA) for the year is set out on page 17 of the financial statements. This is the first set of accounts to adopt FRS102. Its impact for the ACU is the inclusion of a pension deficit liability (£513K at 13 July 2016), holiday pay accrual (£78K at 31 July 2016) and foreign exchange contracts (no outstanding contracts at 13 July 2016, but £37K gain in 2015/16 following £37K loss in 2014/15). 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 £1,040K, £359K increase on the previous year's net incoming resources of £681K.

Unrestricted Fund income of £6,889K was £808K (13%) above the level of the previous year, £6,081K. The major factors relating to this increase were:

External administration fees increased to £5,272K by £749K (17%) from £4,523K, mostly due to the Chevening scholarship administration contract experiencing the first full year of increased scholar numbers.

Member activities include conferences, strategic management, Communities and a Network plus the promotion advisory service. Income rose to £186K from £120K as this year includes income from the Conference of University Leaders (Accra, Ghana, July 2016).

Consultancy activities again increased to £11K from £6K, and hire of accommodation fell to nil from £13K as the ACU has converted its meeting rooms into office accommodation in the expansion of its activities.

Investment income increased to £269K from £266K. Although cash balances now generate almost no income, the investment portfolio performs satisfactorily.

Total resources expended were £5,849K, £432K (8%) above £5,417K the previous year.

Tight cost control continued to be applied to maintain the ACU's financial position. Staff costs increased to £4,391K by £531K (14%) from £3,860K, mostly due to the expanded Chevening scholarship administration activity.

Non-staff costs fell slightly, to £1,545K from £1,557K. The most significant factors were:

- £90K decrease in bad debt provision
- £215K swing in exchange differences to £157K gain from £58K loss
- £56K increase in overhead contributions from restricted funds, to £240K from £184K
- £24K fall in staff travel due to a lot of travel costs being covered by restricted funds, ie funded projects
- £23K reduction in conference attendance due to there being no Conference of Commonwealth Education Ministers this year

Against these reductions are increases:

- £150K expenditure on Chevening scholarships events, now included in the administration contract
- £18K increase on Chevening reading committees, necessitated by increased number of applications
- £60K increase in agency staff costs (filling vacancies)
- £68K increase in IT support costs
- £72K increase in conference costs as this year's figure includes the Accra conference
- £25K increase in Council's costs as the ACU met the costs of travel to the London Council meeting in December 2015.

£68K net movement in Unrestricted Funds includes £94K gain on investment assets (2014/15 £423K gain), reflecting the continued upward trend in equity markets, £103K actuarial loss on defined benefit pension schemes, £37K gain as a forward exchange contract was exercised and £1M transfer to a designated fund for the London office reconfiguration.

#### *Restricted Funds*

The range of Restricted Funds administered by the ACU is shown under notes 12 and 13 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 five restricted funds in deficit at the balance sheet date. The Canada Memorial Foundation Fund will receive future income to exceed expenditure. CAAST Net and International Collaboration on Research Data Infrastructure / Research Data Alliance, are funded by the European Commission and at 31 July 2016 all awaited income instalments. DRUSSA grants reimburse expenditure, so its deficit is to be expected.

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### ***Endowment Funds***

The Permanent & Expendable Endowment Funds generated £434K of investment income during the year, £13K down on £447K in 2014/15. All the endowment income was credited to the relevant Restricted Funds. £152K funded ACU Development Fellowships, £23K funded Annenberg Scholarships, £29K funded Marshall Sherfield Scholarships, £4K funded Boyle Medical Electives, and £224K funded the CSFP Anniversary Scholarships. The value of the Permanent Endowments stood at £13,404K at 31 July 2016, an increase of £682K on the year. This comprises £3K donations plus £679K 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 £7,894K at the year end. It received £3K donations, all 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 £526K 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 £714K at the year end.

### ***ACU Trading Limited***

On 7 July 2014 ACU set up ACU Trading Limited which was incorporated as a Private Limited Company by shares. The company is the wholly owned subsidiary of ACU and its results for the period have been consolidated into Group Financial Statements of ACU for the year ended 31 July 2016.

The principle activity of ACU Trading Limited is the provision of staff services to the ACU.

During the period, the Company made £7K profit nor a loss, having made £7K loss (restated) in the period ended 31 July 2015. At 31 July 2016, ACU Trading Limited has net assets of £1.

### ***Summary***

During a period of continued worldwide economic difficulty, ACU income has held up well. Membership numbers have fallen to 495 from 527, although some of this reduction is due to dealing with non payment more promptly than was the custom. Nevertheless membership subscription income has held steady at £1,151K compared to £1,153K the previous year. External administration income increased £749K (17%). Costs have been well managed while growing these activities and developing member services and new business, so that the ACU managed £1,040K surplus of income over expenditure on its Unrestricted Funds, up £359K on £681K the previous year. To this can be added £94K from investment gains, and 37K gains from foreign exchange contracts, but £103K must be deducted for actuarial losses on defined benefit pension schemes, and £1M for transfer to a designated fund, to pay for the London office reconfiguration. Thus the net movement in funds is £68K leaving Unrestricted Funds at £7.5M.

### ***Reserves of the Association***

The Reserves Policy follows Charity Commission guidance. It considers ACU's income to be stable in the medium term, its costs to be flexible in case of changed income streams, and its commitments also to be flexible. Thus the reserves policy is to hold a reserve that is between 4 months and 6 months of unrestricted expenditure plus restricted fund staff costs. This range is £2.4M to £3.7M. The free reserves at 31 July 2016 are £6.9M, so about £3M above this level. The Trustees are considering how best to apply this to the ACU's charitable purposes.

## **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 (£7.2M 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.

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All the investment funds are managed by Sarasin & Partners LLP, except the CSFP Anniversary Funds which are 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) are invested in Newton's Growth Fund for Charities.

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:

	%	Benchmark Index Comparator
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:

	%	Range %	Benchmark Index Comparator
Overseas Property	3.5	0-7.5	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:

	%	Range %	Benchmark Index Comparator
Overseas Property	1.0	0-7.5	S&P Developed Property
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 2016

Fund	Value at 31 July 2016 £'000	Actual Performance %	Benchmark %
ACU Main fund	7,211	4.8	9.7
Endowment fund	4,236	4.8	9.7
CSFP Anniversary endowment & restricted	7,807	10.9	11.4
Annenberg endowment	527	7.8	9.5
Marshall Sherfield expendable endowment	715	7.8	9.5

It should be noted also that the estimated return from the average charity (ARC Charity Steady Growth) was +6.4% for the 12 months to 31 July 2016. Actual performance is gross of fees at 0.60%.

### 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

# **The Association of Commonwealth Universities**

## **Council's Report**

risk is an integral part of the budget and plan reviewed and approved by the Trustees. The principal risks and uncertainties facing the charity are:

- Governance, given the ACU's status as a UK charity with international trustees
- Maintaining growth commensurate with growth in international higher education
- Maintaining the recent level of funded projects
- Retaining and fulfilling external administration contracts

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

- regulation by the Charity Commission
- annual external audit for some of its external administration 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)
- application of Prince project management principles (for example in project bidding)
- increased staff awareness of risk

## **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 2017, which absorbs the considerable cost increases from changes to defined contribution pension schemes and UK government National Insurance employer contributions, maintains external administration activity, and develops member services. These plans include:

- a Human Resources Conference, to be hosted jointly with the University of Mauritius, *HR Steps Up*, in October 2016
- recruitment of a new Secretary General to take up office when Professor Wood's appointment ends in June 2017
- seminars to coincide with Council meetings on Science Diplomacy (London, November 2016) and Academic Mobility (Singapore, June 2017)
- development of the ACU's portfolio of programmes and projects (mostly externally funded)
- completion of reconfiguration of office accommodation and a new ten year lease at the London offices, better to meet the recent expansion of services

# **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



**Jan Thomas**  
Chair of the Council

30 November 2016

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

We have audited the financial statements of Association of Commonwealth Universities for the year ended 31 July 2016 which comprise the Group Statement of Financial Activities, the Group and Charity Balance Sheets, the Group Statement of Cash Flows and the related notes numbered 1 to 21.

The financial reporting framework that has been applied in their preparation is relevant law and FRS102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland.

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 151 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 and any other surround information 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 group's and the charity's affairs as at 31 July 2016 and of the group's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with FRS102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland; 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 by the parent charity; 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

Date *20 January 2017*



**The Association of Commonwealth Universities**  
**Group Statement of Financial Activities**  
**For the year ended 31 July 2016**

	Unrestricted funds					
	General	Designated	Restricted	Endowment	Total	Total
	funds	funds	funds	funds	2016	2015
	2016	2016	2016	2016	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income and endowments from</b>						
Grants & donations ( <i>note 2</i> )	-	-	1,999	3	2,002	1,726
<i>Charitable activities</i>						
Membership income	1,151	-	-	-	1,151	1,153
Member activities	186	-	-	-	186	120
External administration fees ( <i>note 3</i> )	5,272	-	-	-	5,272	4,523
Investment income / interest ( <i>note 4</i> )	269	-	446	-	715	713
<i>Other</i>						
Consultancy activities	11	-	-	-	11	6
Hire of accommodation	-	-	-	-	-	13
<b>Total</b>	<b>6,889</b>	<b>-</b>	<b>2,445</b>	<b>3</b>	<b>9,337</b>	<b>8,254</b>
<b>Expenditure on</b>						
<i>Charitable activities</i>						
Research grants	-	-	1,418	-	1,418	1,658
Membership communication	595	9	-	-	604	750
Member activities	774	11	-	-	785	596
Scholarships, grants and awards	-	-	1,054	-	1,054	269
External and fund administration	4,435	66	14	-	4,515	3,962
<i>Other</i>						
Consultancy activities	9	-	-	-	9	-
Investment management costs	36	-	76	-	112	109
<b>Total</b>	<b>5,849</b>	<b>86</b>	<b>2,562</b>	<b>-</b>	<b>8,497</b>	<b>7,350</b>
<b>Net incoming / (outgoing) resources before gains / (losses) on investments</b>	<b>1,040</b>	<b>(86)</b>	<b>(117)</b>	<b>3</b>	<b>840</b>	<b>904</b>
Other gains	37	-	-	-	37	37
Gains / (losses) on investments	94	-	40	679	813	1,319
<b>Net incoming / (outgoing) resources before transfers</b>	<b>1,171</b>	<b>(86)</b>	<b>(77)</b>	<b>682</b>	<b>1,690</b>	<b>2,186</b>
Transfers between funds ( <i>note 21</i> )	(1,000)	1,000	-	-	0	-
<b>Net incoming resources before other recognised gains and losses</b>	<b>171</b>	<b>914</b>	<b>(77)</b>	<b>682</b>	<b>1,690</b>	<b>2,186</b>
Actuarial gains / (losses) on defined benefit pension schemes	(103)	-	-	-	(103)	(183)
<b>Net movement in funds</b>	<b>68</b>	<b>914</b>	<b>(77)</b>	<b>682</b>	<b>1,587</b>	<b>2,003</b>
Funds brought forward	7,422	-	1,527	12,723	21,672	19,669
<b>Funds carried forward</b>	<b>7,490</b>	<b>914</b>	<b>1,450</b>	<b>13,405</b>	<b>23,259</b>	<b>21,672</b>

**Continuing operations**

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

**The Association of Commonwealth Universities  
Group Statement of Financial Activities  
For the year ended 31 July 2015**

	Unrestricted funds 2015 £'000	Restricted funds 2015 £'000	Endowment funds 2015 £'000	Total 2015 £'000
<b>Income and endowments from</b>				
Grants & donations (note 2)	-	1,723	3	1,726
<i>Charitable activities</i>				
Membership income	1,153	-	-	1,153
Member activities	120	-	-	120
External administration fees (note 3)	4,523	-	-	4,523
Investment income / interest (note 4)	266	447	-	713
<i>Other</i>				
Consultancy activities	6	-	-	6
Hire of accommodation	13	-	-	13
<b>Total</b>	<b>6,081</b>	<b>2,170</b>	<b>3</b>	<b>8,254</b>
<b>Expenditure on</b>				
<i>Charitable activities</i>				
Research grants	-	1,658	-	1,658
Membership communication	750	-	-	750
Member activities	596	-	-	596
Scholarships, grants and awards	-	269	-	269
External and fund administration	3,949	13	-	3,962
<i>Other</i>				
Consultancy activities	6	-	-	6
Investment management costs	36	73	-	109
<b>Total</b>	<b>5,337</b>	<b>2,013</b>	<b>-</b>	<b>7,350</b>
<b>Net incoming / (outgoing) resources before gains / (losses) on investments</b>	<b>744</b>	<b>157</b>	<b>3</b>	<b>904</b>
Other gains / (losses)	(37)	-	-	(37)
<b>Net gains/(losses) on investments</b>	<b>423</b>	<b>37</b>	<b>859</b>	<b>1,319</b>
<b>Net incoming / (outgoing) resources before transfers</b>	<b>1,130</b>	<b>194</b>	<b>862</b>	<b>2,186</b>
Transfers between funds (note 22)	-	-	-	-
<b>Net incoming resources before other recognised gains and losses</b>	<b>1,130</b>	<b>194</b>	<b>862</b>	<b>2,186</b>
Actuarial gains / (losses) on defined benefit pension schemes	(183)	-	-	(183)
<b>Net movement in funds</b>	<b>947</b>	<b>194</b>	<b>862</b>	<b>2,003</b>
Funds brought forward	6,475	1,333	11,861	19,669
<b>Funds carried forward</b>	<b>7,422</b>	<b>1,527</b>	<b>12,723</b>	<b>21,672</b>

**Continuing operations**

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

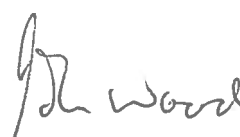
# The Association of Commonwealth Universities

## Group and Charity Balance Sheets 31 July 2016

	Note	Group		Charity	
		2016	2015	2016	2015
		£'000	£'000	£'000	£'000
<b>Fixed assets:</b>					
Tangible assets	7	589	112	589	112
Investments	8	21,147	20,333	21,147	20,333
<i>Total fixed assets</i>		<u>21,736</u>	<u>20,445</u>	<u>21,736</u>	<u>20,445</u>
<b>Current assets:</b>					
Debtors	9	561	895	549	900
Cash at bank and in hand		3,187	1,667	3,159	1,639
<i>Total current assets</i>		<u>3,748</u>	<u>2,562</u>	<u>3,708</u>	<u>2,539</u>
<b>Liabilities:</b>					
Creditors: amounts falling due within one year	10	(1,712)	(879)	(1,672)	(849)
<i>Net current assets</i>		<u>2,036</u>	<u>1,683</u>	<u>2,036</u>	<u>1,690</u>
Provisions for liabilities		0	(37)	0	(37)
<i>Net assets excluding pension liability</i>		<u>23,772</u>	<u>22,091</u>	<u>23,772</u>	<u>22,098</u>
Defined benefit pension scheme liability		(513)	(419)	(513)	(419)
<b>Total net assets</b>		<u><u>23,259</u></u>	<u><u>21,672</u></u>	<u><u>23,259</u></u>	<u><u>21,679</u></u>
<b>The funds of the charity:</b>					
Unrestricted funds: General		7,490	7,422	7,490	7,429
: Designated		914	0	914	0
Restricted funds	12	1,450	1,527	1,450	1,527
Endowments funds	11	13,405	12,723	13,405	12,723
<b>Total funds</b>	15	<u><u>23,259</u></u>	<u><u>21,672</u></u>	<u><u>23,259</u></u>	<u><u>21,679</u></u>

These financial statements were approved and authorised for issue by the Council on 30 November 2016 and signed on their behalf by:

  
Jan Thomas  
Chair of the Council

  
John Wood  
Secretary General

The notes on pages 21 to 38 form part of these financial statements.

# The Association of Commonwealth Universities

## Group Statement of Cash Flows 31 July 2016

		2016	2015
	Note	£'000	£'000
<b>Cash flows from operating activities:</b>			
<b>Net cash provided by / (used in) operating activities</b>		1,340	565
<b>Cash flows from investing activities:</b>			
<b>Returns on Investment</b>			
Investment Income and Interest	4	715	713
<b>Capital expenditure</b>			
Purchase of tangible assets	7	(535)	(91)
Disposal of listed investments	8(b)	0	45
Acquisition of listed investments	8(b)	(3)	(79)
		<u>1,517</u>	<u>1,153</u>
<b>Financing</b>			
Endowment donations		<u>3</u>	<u>3</u>
<b>Increase / (Decrease) in cash</b>		<u>1,520</u>	<u>1,156</u>
<b>Reconciliation of net incoming resources to net cash (outflow) from operating activities</b>			
		2016	2015
		£'000	£'000
Net incoming resources		840	904
Investment income received		(715)	(713)
Endowment donations		(3)	(3)
Depreciation charge		58	43
(Increase) / decrease in debtors		334	327
Increase / (decrease) in creditors		833	23
Pension changes		(7)	(48)
Investment Management fee rebate		-	32
<b>Net cash (outflow) from operating activities</b>		<u>1,340</u>	<u>565</u>
<b>Analysis of Net Cash Resources</b>			
	Opening balances	Cash Flow	Closing balances
	£'000	£'000	£'000
<b>Cash at bank and in hand</b>	<u>1,667</u>	<u>1,520</u>	<u>3,187</u>

# **The Association of Commonwealth Universities**

## **Notes to the financial statements Year ended 31 July 2016**

### **1. Accounting policies**

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

ACU is a Public Benefit Entity registered as a charity in England and Wales on 26 November 1965 (charity number 314137). Its registered office is: Woburn House, 20-24 Tavistock Square, London, WC1H 9HF

The consolidated financial statements have been prepared in accordance with the Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS 102), the Charities Act 2011 and the Statement of Recommended Practice on Accounting and Reporting applicable to charities preparing their accounts in accordance with FRS 102 ("The Charities SORP 2015").

The financial statements have been prepared to give a 'true and fair' view and departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair' view. This departure has involved preparing accounts in accordance with FRS 102 rather than SORP 2005 which has since been withdrawn.

The date of transition to FRS 102 was 1 September 2014 and in preparing the financial statements, the Council have considered whether the accounting policies require the restatement of comparative information.

Full details of adjustments arising on transition to FRS102 and the new SORP can be found in note 21.

The accounts consolidate those of the Charity and its wholly owned trading subsidiary ACU Trading Limited.

The accounts are drawn up on the historical cost basis of accounting, as modified by the revaluation of certain assets including investments.

The functional currency of the Group is considered to be GBP because that is the currency of the primary economic environment in which it operates.

After considering future plans, budgets, cash flows and reserve levels as well as the risks and uncertainties, the Council have a reasonable expectation that the Association has adequate resources and facilities in place to continue its activities for the foreseeable future. Accordingly, the Association continues to adopt the going concern basis in preparing the financial statements as outlined in the Council's Annual Report.

#### **Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Group's accounting policies, the Council are required to make judgements, estimates, and assumptions, about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects the current and future periods.

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described in the accounting policies and are summarised below:

bad debt provision for membership subscriptions is 100% of debt outstanding at the year end

scholarship administration income is accounted for monthly with some exceptions for significant activity that occurs once a year

#### **(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 staffing basis. Irrecoverable VAT is charged to the relevant grant or project, or to central overheads if not an eligible cost for a grant.

# The Association of Commonwealth Universities

## Notes to the financial statements Year ended 31 July 2016

### 1. Accounting policies (continued)

#### (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 "directorates" departments which are attributable to the management of the ACU's assets, organisational administration and compliance with constitutional and statutory requirements. Governance costs have been allocated to charitable activities as a separate component of support costs on the same basis as noted in (c) above.

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

All assets costing more than £2,000 are capitalised. Depreciation is provided on all tangible fixed assets, bar Work In Progress, 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.

#### (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, the Annenberg Foundation Scholarship Fund and the CSFP Anniversary Restricted Fund, which are Restricted Funds. The capital of these Endowment 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 full potential period of the lease.

# The Association of Commonwealth Universities

## Notes to the financial statements Year ended 31 July 2016

### 1. Accounting policies (continued)

#### (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 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 Section 28 of FRS 102 "Employee benefits", accounts for the schemes as if they were defined contribution schemes. As a result, the amount charged to the income and expenditure account represents the contributions payable to the schemes in respect of the accounting period.

Since the ACU has entered into agreements (Recovery Plans that determine how each employer within the schemes will fund the overall deficits), the ACU recognises a liability for the contributions payable that arise from the agreements to the extent that they relate to the deficit and the resulting expense in the income and expenditure account.

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.

#### Critical accounting judgments

FRS 102 makes the distinction between a Group Plan and a multi-employer scheme. A Group Plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under a common control and represents (typically) an industry-wide (or sector-wide) scheme such as those provided by USS and SAUL. The accounting for a multi-employer scheme where the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in profit or loss. The trustees are satisfied that the schemes provided by USS and SAUL meet the definition of a multi-employer scheme and have therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

#### Key sources of estimation uncertainty - SAUL

As a whole the market value of SAUL's assets was £1,927 million representing 97% of the liabilities and benefits accrued up to 31 March 2014.

The SAUL Trustee and SAUL Employers have agreed that the Technical Provisions deficit at the 31 March 2014 valuation will be addressed by employer contributions of 3% of salaries between 1 April 2016 and 31 March 2018 (inclusive). The defined benefit liability recognised by the ACU in respect of the deficit contributions due to SAUL (ie the present value of the deficit contributions) is £10K as at 31 July 2016. This liability is based on a projection of salaries over the period to 31 March 2018, assuming 1.5% salary inflation and no discounting (2015: nil as deficit plan not agreed until November 2015).

#### Key sources of estimation uncertainty - USS

The USS liability is based on a deficit recovery plan to 31 March 2031, a deficit contribution rate averaging 2.1% pa, staff salary inflation between 1.5% and 2.0%, and a discount rate of 1.73% (2015: 2.1%, 2.0%, 2.73%).  
(See note 19 for more details.)

#### (l) Foreign currencies

Assets and liabilities held in foreign currency are translated to GBP at the balance sheet date at an appropriate year end exchange rate.

#### (m) Financial Instruments

Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost, with the exception of investments and forward contracts, which are held at fair value.

Financial assets held at amortised cost comprise cash at bank and in hand, together with trade and other debtors.

A specific provision is made for debts which recoverability is in doubt. Cash at bank and in hand is defined as all cash held in instant access bank accounts and used as working capital.

Financial liabilities held at amortised cost comprise all creditors except social security and other taxes and provisions.

# The Association of Commonwealth Universities

## Notes to the financial statements

<b>2. Grants and donations received</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Grants from UK Government</b>		
UK Department for International Development – CIRCLE	1,010	740
UK Department for International Development – DRUSSA & DRUSSA Extension	655	530
UK Foreign and Commonwealth Office - Tackling Extremism	6	0
British Council Newton Fund - Research Management and Governance in Malaysia	29	0
	<u>1,700</u>	<u>1,270</u>
<b>Grants from other Agencies</b>		
European Commission – CAAST Net	0	29
European Commission – CAAST Net Plus	0	127
European Commission - Research Data Alliance project	65	72
European Commission - Research & Innovation Network Europe & Africa	32	45
European Commission – Promoting African European Research Infrastructure Partnerships	9	0
	<u>106</u>	<u>273</u>
<b>Grants from charitable foundations</b>		
British Academy – Africa Desk project	14	13
British Academy – Early Careers project	27	6
Canada Memorial Foundation	31	21
Marshall Sherfield Fellowship Foundation	21	0
Bosch	99	85
Britain Nigeria Education Trust	0	10
The David & Elaine Potter Foundation	0	44
	<u>192</u>	<u>179</u>
<b>Donations</b>		
Individuals & Organisations	4	4
	<u>2,002</u>	<u>1,726</u>



# The Association of Commonwealth Universities

## Notes to the financial statements

Year ended 31 July 2016

### 3. External administration fees

	2016	2015
	£'000	£'000
Commonwealth Scholarship award schemes	1,579	1,535
Marshall Scholarship scheme	192	189
Staff & Educational Development Association	129	113
Chevening Scholarships	3,355	2,665
Other schemes	17	21
	<u>5,272</u>	<u>4,523</u>

### 4. Investment income and interest

	Unrestricted funds	Restricted funds	Total 2016	Total 2015
	£'000	£'000	£'000	£'000
Income: managed investments	265	446	711	710
Interest: cash deposits	4	0	4	3
	<u>269</u>	<u>446</u>	<u>715</u>	<u>713</u>

# The Association of Commonwealth Universities

## Notes to the financial statements Year ended 31 July 2016

### 5. Analysis of total resources expended

	Staff costs	Consultant costs	Office and facility costs	Other costs	Total	2015
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Charitable activities:</b>						
Project and Programme grants	539	245	235	399	1,418	1,658
Membership communication	425	12	130	37	604	750
Member activities	382	90	139	177	788	596
Scholarships, grants and awards	0	0	0	1,054	1,054	269
External and fund administration	3,574	36	503	396	4,509	3,962
<b>Other:</b>						
Consultancy activities	9	0	0	0	9	6
Investment management costs	0	0	0	112	112	109
	<u>4,929</u>	<u>383</u>	<u>1,007</u>	<u>2,175</u>	<u>8,494</u>	<u>7,350</u>

#### Member activities

Member activities comprise Conferences, Strategic Management, Membership Communities & Networks, the Gender Programme, support for the annual residential School, participation in international conferences, 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

Supports Costs	2016	2015
	£'000	£'000
<b>Charitable activities:</b>		
Membership communication	67	60
Member activities	192	138
External and fund administration	846	945
Consultancy activities	0	0
	<u>1,105</u>	<u>1,143</u>

#### Governance costs

Governance costs total £137K (2015, £94K).

# The Association of Commonwealth Universities

## Notes to the financial statements

Year ended 31 July 2016

### 6. Net incoming resources for the year

Net incoming resources for the year are stated after charging:

	2016	2015
	£'000	£'000
(a) Auditors' remunerations		
Audit fees - Association of Commonwealth Universities	14	14
Audit fees - ACU Trading Ltd	3	2
Other non-audit work (VAT advice) & EC grant audit	4	2

#### (b) Staff costs:

The average monthly number of persons employed by the ACU (calculated on a headcount basis), was 106 during 2015/16 (2014/15: 96).

	2016	2015
	£'000	£'000
Wages and salaries	3,768	3,333
Social security costs	366	284
Pension costs	477	465
Agency staff	210	138
Recruitment	39	27
Training and welfare	71	103
	4,931	4,350

ACU made ex gratia payments to staff totalling £47K during 2016 (2015: nil).

The number of employees whose total emoluments (not including retirement benefits) amounted to over £60,000 was: 6

	2016	2015
	Number	Number
£60,001 to £70,000	1	2
£70,001 to £80,000	2	1
£90,001 to £100,000	2	2
£120,001 to £130,000	1	1

Their total aggregate employee benefits of the key management team in 2015/16 were £583K (2014/15: £568K).

# The Association of Commonwealth Universities

## Notes to the financial statements Year ended 31 July 2016

### 6. Net incoming resources for the year (continued)

Five 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 £125K. This was 5.8 times the salary earned by the lowest paid member of staff.

(c) Trustee remuneration and expenses:

No Trustee received any remuneration in the year (2015: £nil).

Three Trustees were reimbursed £3,746 for travel expenses incurred during the year (2015: one Trustee, £13,580). £13,207 of last year's cost was incurred to enable the Chair & Treasurer to attend the seventeenth Commonwealth Conference of Education Ministers.

### 7. Group and Charity Tangible fixed assets

	Computer equipment	Office equipment	Assets under construction	Furniture & Fixtures	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 1 August 2015	317	2	0	15	334
Additions	24	0	511	0	535
Disposals	(5)	0	0	(15)	(20)
At 31 July 2016	336	2	511	0	849
<b>Depreciation</b>					
At 1 August 2015	205	2	0	15	222
Charge for year	58	0	0	0	58
Disposals	(5)	0	0	(15)	(20)
At 31 July 2016	258	2	0	0	260
<b>Net book value</b>					
At 31 July 2016	79	0	511	0	589
At 31 July 2015	112	0	0	0	112

# The Association of Commonwealth Universities

## Notes to the financial statements Year ended 31 July 2016

### 8. Group Investments

(a) Analysis by type

	Unrestricted	Restricted	Endowment	Total	Total
	funds	funds	funds	2016	2015
	£'000	£'000	£'000	£'000	£'000
Quoted investments	7,204	541	13,364	21,109	20,308
Cash held for investment purposes	7	0	31	38	25
	<u>7,211</u>	<u>541</u>	<u>13,395</u>	<u>21,147</u>	<u>20,333</u>

(b) Movement in quoted investments

	Unrestricted Funds		Restricted & Endowment Funds	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Market value, 1 August	7,116	6,695	13,192	12,289
Acquisitions at cost	9	13	479	66
Disposals at opening market value	0	0	(472)	(45)
Net unrealised (losses) /gains on revaluation	79	408	706	882
Market value, 31 July	<u>7,204</u>	<u>7,116</u>	<u>13,905</u>	<u>13,192</u>
Cost, 31 July	<u>6,003</u>	<u>5,994</u>	<u>11,579</u>	<u>11,565</u>

In the year ended 31 July 2016, ACU made realised gains of £ 3,000 (2015: £34,000).

### 9. Debtors and prepayments

	Group		Charity	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Member subscriptions	28	68	28	68
Trade debtors	248	596	248	596
Sundry debtors	106	48	94	35
Accrued Income	81	82	81	82
Prepayments	98	101	98	101
Amounts due from ACU Trading Limited	0	0	0	18
	<u>561</u>	<u>895</u>	<u>549</u>	<u>900</u>

# The Association of Commonwealth Universities

## Notes to the financial statements Year ended 31 July 2016

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

	Group		Charity	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Trade creditors	283	129	281	129
Deferred income	308	323	308	323
Income Tax and National Insurance contributions	105	91	72	70
Value Added Tax	208	140	208	140
Publishers – African library holding account	8	9	8	9
Sundry creditors	583	46	583	46
Accruals	217	141	197	75
Amounts due to ACU Trading Limited	0	0	15	0
	<u>1,712</u>	<u>879</u>	<u>1,672</u>	<u>792</u>
<b>Deferred income</b>				
Balance brought forward	323			
Released in year	(315)			
Deferred in year	<u>300</u>			
Balance carried forward	<u>308</u>			

### 11. Endowment funds

	Opening value of funds	New endowments	Gains on investments	Closing value of funds
	£'000	£'000	£'000	£'000
<b>Permanent endowments</b>				
ACU endowment	4,107	0	54	4,161
CSFP Anniversary endowment	7,310	3	582	7,895
Edward Boyle endowment	108	0	1	109
Annenberg Foundation endowment	508	0	18	526
	<u>12,033</u>	<u>3</u>	<u>655</u>	<u>12,691</u>
<b>Expendable endowments</b>				
Marshall Sherfield endowment	690	0	24	714
<b>Total endowments</b>	<u>12,723</u>	<u>3</u>	<u>679</u>	<u>13,405</u>

Income from the ACU Endowment funds ACU Development Fellowships (Note 13). 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 2016, no funds were drawn down. (In the year ended 31 July 2015, 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 2016

### 12. Restricted Funds

	Opening value of funds	Grants/ Donations/ Subscriptions	Investment Income / Gains	Total Income
	£'000	£'000	£'000	£'000
ACU Development Fellowships	147	0	152	152
Marshall Sherfield Fellowships	11	21	29	50
Annenberg	0	0	22	22
Mzuzu University, Malawi	1	1	0	1
Edward Boyle Medical Electives	2	0	4	4
CSFP Anniversary Fund	909	0	279	279
Canada Memorial Foundation	(4)	31	0	31
ACU Residential School	77	0	0	0
Potter Foundation	44	0	0	0
Symons Medal	7	0	0	0
Tackling Extremism - UK Foreign & Commonwealth Office	0	6	0	6
CAAST Net	(1)	0	0	0
CAAST Net Plus	127	0	0	0
Pacific Europe Network for Science Technology & Innovation (PACE Net Plus)	51	0	0	0
DRUSSA: UK Department for International Development	1	433	0	433
DRUSSA Extension	90	222	0	222
Support for Research Management and Governance in Malaysia	0	29	0	29
Promoting Africa Europe Research Infrastructure Partnerships (PAERIP)	(14)	9	0	9
Structured Training for African Researchers (STARS)	59	99	0	99
Climate Impacts Research Capacity and Leadership Enhancement (CIRCLE)	7	1,010	0	1,010
British Academy Africa Desk	13	14	0	14
British Academy Early Careers	(6)	27	0	27
CSFP Anniversary Governance	3	0	0	0
Research & Innovation Network for Europe & Africa	35	32	0	32
international Collaboration on Research Data Infrastructure (ICORDI) / Research Data Alliance (RDA)	(32)	65	0	65
<b>Total</b>	<b>1,527</b>	<b>1,999</b>	<b>486</b>	<b>2,485</b>

# The Association of Commonwealth Universities

## Notes to the financial statements Year ended 31 July 2016

### 12. Restricted Funds (continued)

	Funds available for use	Charitable Expenditure	Fund value before transfers	Transfers in / (out)	Closing value of funds
	£'000	£'000	£'000	£'000	£'000
ACU Development Fellowships	299	141	158	0	158
Marshall Sherfield Fellowships	61	40	21	0	21
Annenberg	22	22	0	0	0
Mzuzu University, Malawi	2	1	1	0	1
Edward Boyle Medical Electives	6	4	2	0	2
CSFP Anniversary Fund	1,188	238	950	0	950
Canada Memorial Foundation	27	32	(5)	0	(5)
ACU Residential School	77	8	69	0	69
Potter Foundation	44	13	31	0	31
Symons Medal	7	0	7	0	7
Tackling Extremism - UK Foreign & Commonwealth Office	6	6	0	0	0
CAAST Net	(1)	0	(1)	0	(1)
CAAST Net Plus	127	147	(20)	0	(20)
Pacific Europe Network for Science Technology & Innovation (PACE Net Plus)	51	21	30	0	30
DRUSSA: UK Department for International Development	434	511	(77)	0	(77)
DRUSSA Extension	312	88	224	0	224
Support for Research Management and Governance in Malaysia	29	29	0	0	0
Promoting Africa Europe Research Infrastructure Partnerships (PAERIP)	(5)	(5)	0	0	0
Structured Training for African Researchers (STARS)	158	85	73	0	73
Climate Impacts Research Capacity and Leadership Enhancement (CIRCLE)	1,017	988	29	0	29
British Academy Africa Desk	27	27	0	0	0
British Academy Early Careers	21	21	0	0	0
CSFP Anniversary Governance	3	1	2	0	2
Research & Innovation Network for Europe & Africa	67	23	44	0	44
International Collaboration on Research Data Infrastructure (ICORDI) / Research Data Alliance (RDA)	33	121	(88)	0	(88)
<b>Total</b>	<b>4,012</b>	<b>2,562</b>	<b>1,450</b>	<b>0</b>	<b>1,450</b>

There are five restricted funds in deficit at the balance sheet date. The Canada Memorial Foundation Fund will receive future income to exceed expenditure. CAAST Net and International Collaboration on Research Data Infrastructure / Research Data Alliance, are funded by the European Commission and at 31 July 2016 all awaited income instalments. DRUSSA grants reimburse expenditure, so its deficit is to be expected.



# The Association of Commonwealth Universities

## Notes to the financial statements

Year ended 31 July 2016

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

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.	107	57
Marshall Sherfield Fellowships	A programme to support US post-doctoral fellows at UK universities.	37	2
Annenberg	Income from the Annenberg Foundation endowment is transferred to the Marshall Aid Commemoration Commission	20	1
Mzuzu University, Malawi	Tuition fee support for MSc Mathematics students at Mzuzu University, Malawi	1	7
Edward Boyle Medical Electives	Medical electives supported by income derived from an endowment.	3	6
CSFP Anniversary Fund	Provides scholarships hosted by low and middle income Commonwealth countries	189	24
Canada Memorial Foundation	Scholarship programme to support UK students to study postgraduate degrees in Canada	32	2
ACU Residential School	Support for international students to attend the ACU residential school	8	18
Potter Foundation	Funds PhD scholarships hosted by South African universities	13	2
Symons Medal	Established by Professor T Symons, the Symons Medal is awarded annually in recognition of major contributions to higher education in the Commonwealth	0	1
Tackling Extremism - UK Foreign & Commonwealth Office	To develop practical means of promoting respect and objectivity among staff and students at faith based universities	6	5
Climate Impacts Research Capacity and Leadership Enhancement (CIRCLE)	Fellowship programme to support early career African scientists to undertake structured research skills development through supervised placement in African host research institutions	638	63
Total value and number of awards to individuals		1,054	188

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 2016

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

	Opening Balance	Incoming Resources	Resources Expended	Closing Balance
	£'000	£'000	£'000	£'000
<b>Funds held in Sterling</b>				
Chevening Scholarship Scheme	3,841	51,100	(54,141)	800
Commonwealth Scholarship & Fellowship Plan	10,463	25,680	(27,966)	8,177
HEDG	8	27	(25)	10
DRUSSA	9	331	(263)	77
DRUSSA Extension	115	377	(353)	139
CIRCLE	48	266	(314)	0
<b>Total Third Party Sterling Funds</b>	<b>14,484</b>	<b>77,781</b>	<b>(83,062)</b>	<b>9,203</b>
	Opening Balance	Incoming Resources	Resources Expended	Closing Balance
	€'000	€'000	€'000	€'000
<b>Funds held in Euro</b>				
European Commission CAAST Net grant	302	113	0	415
European Commission CAAST Net Plus grant	148	12	(65)	95
<b>Total Third Party Euro Funds</b>	<b>450</b>	<b>125</b>	<b>(65)</b>	<b>510</b>

### 15. Analysis of Group and Charity assets between Funds

	Pension and other liability	Fixed assets	Investments	Net current assets	Total	
	£'000	£'000	£'000	£'000	£'000	
Endowment funds	0	0	13,402	3	13,405	
Restricted funds	0	0	541	909	1,450	
Designated funds	0	0	500	414	914	
Unrestricted funds	(513)	589	6,704	710	7,490	
	(513)	589	21,147	2,036	23,259	
	brought forward	income	expenditure	gains	transfers	carried forward
Unrestricted funds	7,422	6,889	5,849	28	(1,000)	7,490
Designated funds	0	0	86	0	1,000	914
Total	7,422	6,889	5,935	28	0	8,404

The Designated Fund has been set aside by the trustees to cover the cost of reconfiguring the ACU's London offices

# The Association of Commonwealth Universities

## Notes to the financial statements Year ended 31 July 2016

### 16. Future financial commitments

#### Group and Charity Operating leases

At 31 July 2016 the ACU had no annual commitments under operating leases (2015, £146K, all within five years on land and buildings).

### 17. ACU Trading Ltd

In July 2014 ACU established a wholly owned subsidiary company to employ staff in order to supply their services to ACU. The results for the period ended 31 July 2016 have been consolidated into the group financial statements of ACU and all transactions and balances between the Company and Charity have been eliminated where appropriate. The results of ACU trading Limited for the period ended 31 July 2016 are as follows:

	2016	2015
	£'000	£'000
Turnover	1,295	659
Cost of sales	1,207	630
<b>Gross Profit</b>	<b>88</b>	<b>29</b>
Administration	81	36
<b>Net profit</b>	<b>7</b>	<b>(7)</b>
<b>Net assets</b>	<b>0</b>	<b>(7)</b>

### 18. Pension Commitments

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

The total USS pension cost charged to the Statement of Financial Activities is £384K (2015: £396K). This includes nil (2015: nil) outstanding contributions at the balance sheet date, and £17K deficit contributions (2015: £49K), as indicated in Accounting Policy 1(j) and Note 20. The disclosures below represent the position from the scheme's financial statements.

The latest available triennial actuarial valuation of the scheme was at 31 March 2014 ("the valuation date").

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

# The Association of Commonwealth Universities

## Notes to the financial statements Year ended 31 July 2016

### 19. Pension Commitments (continued)

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

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

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

	2016	2015
Discount rate	3.6%	3.3%
Pensionable Salary Growth	n/a	3.5% in the first year and 4.0% thereafter
Pension increases (CPI)	2.2%	2.2%

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

Male members' mortality 98% of S1NA ["light"] YoB tables- No age rating

Female members' mortality 99% of S1NA ["light"] YoB tables- rated down 1 year

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

	2016	2015
Males (females) currently aged 65	24.3 (26.5)	24.2 (26.4)
Males (females) currently aged 45	26.4 (28.8)	26.3 (28.7)

	2016	2015
Scheme assets	£49.8bn	£49.1bn
Total Scheme Liabilities	£58.3bn	£60.2bn
FRS 102 Total Scheme deficit	£8.5bn	£11.1bn
FRS 102 total funding level	85%	82%

## **The Association of Commonwealth Universities**

### **Notes to the financial statements Year ended 31 July 2016**

#### **19. Pension Commitments (continued)**

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

SAUL is an independently managed pension scheme for the non-academic staff of over 50 colleges and institutions with links to higher education.

Pension benefits accrued within SAUL currently build up on either a Final salary basis or a Career Average Revalued Earnings ("CARE") basis. Following a consultation with Members, the SAUL Final Salary Sections closed from 31 March 2016 and all Members build up benefits on a CARE basis from 1 April 2016.

The ACU is not expected to be liable to SAUL for any other current participating employer's obligations under the Rules of SAUL, but in the event of an insolvency event of any participating employer withing SAUL, an amount of any pension shortfall (which cannot otherwise be recovered) in respect of that employer, may be spread across the remaining participating employers and reflected in the next actuarial valuation.

SAUL's statutory funding objective is to have sufficient and appropriate assets to meet the costs incurred by the Trustee in paying SAUL's benefits as they fall due (the "Technical Provisions"). The Trustee adopts assumptions which, taken as a whole, are intended to be sufficiently prudent for pensions and benefits already in payment to continue to be paid and for the commitments which arise from Member's accrued pension rights to be met.

The Technical Provisions assumptions include appropriate margins to allow for the possibility of events turning out worse than expected. However, the funding method and assumptions do not completely remove the risk that the Technical Provisions could be insufficient to provide benefits in the future.

A formal actuarial valuation of SAUL is carried out every three years by a professionally qualified and independent actuary. The last actuarial valuation was carried out with an effective date of 31 March 2014. Informal reviews of SAUL's position, reflecting changes in market conditions, cash flow information and new accrual of benefits, are carried out between formal valuations.

The funding principles were agreed in November 2015 and are due to be reviewed at SAUL's next formal valuation in 2017.

The Trustee and Employers have agreed that the Technical Provisions deficit at the 31 March 2014 valuation will be addressed by employer contributions of 3% of salaries between 1 April 2016 and 31 March 2018 (inclusive). The overall level of the Employers' contributions has, therefore, increased from 13% of salaries to 16% of salaries with effect from 1 April 2016.

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.

# The Association of Commonwealth Universities

## Notes to the financial statements Year ended 31 July 2016

### 19. Related Parties

	2016	2015
	£'000	£'000
Balances owed to / (from) ACU Trading Ltd at 31 July	15	(18)
Payable to ACU Trading Ltd for services	1,295	659
Receivable from ACU Trading Ltd for services	23	24

### 20. Reconciliation on transition to FRS 102

In accordance with the requirements of FRS 102 a reconciliation of opening balances is presented below.

	01-Aug-14	31-Jul-15	Change
	£'000	£'000	£'000
Total funds as previously reported in accordance with GAAP	20,040	22,192	2,152
Recognition of holiday pay accrual	(86)	(64)	22
Contributions payable relating to funding of deficit on multi-employer pension schemes	(285)	(419)	(134)
Recognition of financial instrument: foreign exchange contract		(37)	(37)
<b>Total funds restated in accordance with FRS 102</b>	<b>19,669</b>	<b>21,672</b>	<b>2,003</b>

	31-Jul-15
	£'000
Net income for the year ended 31 July 2015 as previously reported	2,152
Recognition of holiday pay accrual	22
Contributions payable relating to funding of deficit on multi-employer pension schemes	49
Actuarial losses	(183)
Recognition of financial instrument: foreign exchange contract	(37)
<b>Net movement in funds reported under FRS 102</b>	<b>2,003</b>

## The Association of Commonwealth Universities

### Notes to the financial statements Year ended 31 July 2016

#### 21 Financial Instruments

Carrying amounts of financial assets and liabilities at 31 July are as follows:

	Group	
	2016	2015
	£'000	£'000
Financial assets measured at amortised cost (a)	3,650	2,461
Financial liabilities measured at amortised cost (b)	1,091	325
Financial assets measured at Fair value (c)	21,147	20,333
Financial liabilities measured at Fair value (d)	0	37

- (a) Financial assets measured at amortised cost comprise cash, and all debtors excluding prepayments
- (b) Financial liabilities measured at amortised cost are all liabilities excluding tax and social security, estimate accruals, provisions and deferred income
- (c) Financial assets at fair value include investments and gains on forward contracts open at year end.
- (d) Financial liabilities at fair value include losses gains on forward contracts open at year end

At 31 July 2016 ACU had no forward contracts outstanding. In 2015, a loss of £37k was recognised in relation to 5 contracts to hedge currency exposure on future programme expenditure. The contracts committed ACU to purchase 6.2m ZAR at rates between 17.5744 and 17.6626. All contracts were closed out in 2016.