



# HIGHER EDUCATION STATISTICS AGENCY LIMITED

CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED  
31 JULY 2018

COMPANY NUMBER: 02766993  
REGISTERED CHARITY NUMBER: 1039709

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HESA



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Higher Education Statistics Agency Limited (HESA) is a company limited by guarantee, registered in England at 95 Promenade, Cheltenham, GL50 1HZ. Registered No. 2766993. Registered Charity No. 1039709. Certified to ISO 27001. The members are Universities UK and GuildHE.

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## LETTER FROM THE CHAIR AND CHIEF EXECUTIVE

The Trustees' Report and accompanying financial statements contained in this document cover the financial year 2017/18. They demonstrate the wide range of activity undertaken by the Higher Education Statistics Agency Limited (HESA). This is the second year of HESA's 2016-2021 Strategy, a year in which it celebrated its 25<sup>th</sup> anniversary as a global leader in higher education (HE) statistics, and was announced as the first Designated Data Body (DDB) for England.

These are exciting and challenging times for HESA, as they are for all organisations in the UK HE sector. The pace of change feels faster than ever, while the social, economic, and political importance of higher education has never been higher. HESA continues to seek to respond to these changes on an agile basis, and has sought to adapt its services for the future, while continuing to deliver value for money through our core activities. Consequential pressures are placed on the HESA cost structure as a result of meeting the requirements of becoming the DDB, complying with the increased requirements of GDPR, and protecting our data against the ever more sophisticated cyber risks. However, HESA continues to operate with positive reserves and plans to return to operating a surplus budget before accounting for the receipt of grant income once the Data Futures is program is operational.

In response to evolving challenges, for HESA and the HE sector, the Board has begun work to review the strategy in light of designation; to support HESA in meeting its aim to become the analytical powerhouse for the UK HE sector and the trusted source of national HE statistics and public information, and to reflect the needs of the changing external environment. This will be put into place in 2018/19.

HESA continues to deliver its core data collections and services efficiently and effectively. Collection of data from Alternative Providers enables us to publish an annual statistical release on the characteristics of these providers alongside our existing releases. In addition, an experimental release on widening participation and non-continuation rates facilitates comparisons of HE providers including Alternative Providers.

In order to prepare for becoming the DDB for English higher education, HESA has been working to review its structure, governance, operational, and funding models. Implementation of changes began during the year, and will continue until August 2019 when the new arrangements come into effect. These changes are the most substantial made to HESA since the organisation's inception in 1993. Sitting alongside this we have begun work with Office for Students (OfS) to develop a Memorandum of Understanding for how we will work together in the future. This will continue throughout 2018 and we will consult with the sector on any key changes. We are confident that the planned developments will ensure that HESA continues to operate as a UK sector agency fit for the future, continuing to deliver value for money for providers, and supporting the strength and competitiveness of the UK higher education sector.

HESA has also continued to progress its collaboration with Jisc and The Quality Assurance Agency (QAA) known as the M5 Group, to introduce more operational efficiencies, and has expanded upon this to look at ways of working more closely with other sector bodies including UCAS. This will be an ongoing theme through the years ahead, as we continue to bear down on our internal costs, and seek to introduce efficiencies wherever we can. We wish to ensure that we are delivering services for our subscribers in the most cost-effective ways possible, and many of the transformations that we have underway will support this ambition.

Looking ahead, we will be doing all we can to ensure we are well prepared to take on our role as DDB, that we successfully deliver and demonstrate the effectiveness of the Data Futures platform as it moves into its Beta phase, and that we deliver Graduate Outcomes. More and more of our data will be published in open, machine-readable format, and we will continue to evolve our analytical tools and services for providers.

We will continue to deliver all our current data collections and services to our existing high standards, ensuring that the UK higher education sector can continue to benefit from the collection and dissemination of comparable, comprehensive, high-quality data to underpin all its activities.

**PAUL CLARK**  
Chief Executive

**PROFESSOR SIR CHRIS HUSBANDS**  
Chair

## LEGAL AND ADMINISTRATIVE DETAILS

Name:	Higher Education Statistics Agency Limited ('HESA', 'Agency', 'the charity' or 'the company')
Trading Names:	HESA, Higher Education Statistics Agency
Company Registration Number:	02766993 HESA is incorporated as a private company limited by guarantee
Charity Registration Number:	1039709
Registered Office:	95 Promenade Cheltenham Gloucestershire GL50 1HZ
Directors/Trustees:	Professor Sir C Husbands (Chair) Mr P F Clark (Chief Executive) Ms. R Chappell (until 15 June 2018) Dr P M Greatrix Professor R J Last OBE (until 31 July 2018) Professor PJ Layzell Mr I Littlejohn Professor J Lydon OBE Mr A McConnell OBE Professor A M Nolan OBE (until 31 July 2018)  Professor M E Smith Professor L S Drew (from 20 September 2018) Mr R M Jones (from 20 September 2018) Professor NA Coltan (from 20 September 2018) Ms T Slaven (from 31 October 2018) Mr D Howell (from 31 October 2018) Mr A V Doku (from 1 November 2018)
Company Secretary:	Ms C E Morris (until 7 December 2017) Ms D A Lawrenson (from 7 December 2017)
Executive Management Group:	CEO Chief Operating Officer Chief Technology Officer Director of Data and Innovation Managing Director of HESA Enterprise Managing Director of HESA Statutory

General Counsel and Director of Compliance  
Company Secretary and Director of Corporate Affairs

Principal Bankers:

HSBC  
2 The Promenade  
Cheltenham  
Gloucestershire  
GL50 1LS

Bank of Scotland  
Connaught House  
Alexandra Terrace  
Guildford  
Surrey GU1 3DA

Solicitors:

DAC Beachcroft LLP  
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Leeds  
LS1 2LW

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Princess Exchange  
1 Earl Grey Street  
Edinburgh  
EH3 9AQ

Stone King LLP  
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Willans LLP  
28-29 Imperial Square  
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Gloucestershire  
GL50 1RH

Internal Auditors:

RSM Risk Assurance Services LLP  
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B2 5AF

Independent Auditor:

Crowe U.K. LLP  
Carrick House  
Lypiatt Road  
Cheltenham  
Gloucestershire  
GL50 2QJ

## REPORT OF THE TRUSTEES

### STATEMENT OF COMPLIANCE

The Trustees, who are also Directors of the Company for the purposes of the Companies Act 2006, submit their annual report and audited financial statements for the year ended 31 July 2018. The Trustees have adopted the provisions of the Charities Statement of Recommended Practice 2015 (SORP 2015), FRS 102 and have complied with the Companies Act 2006 and the Charities Act 2011 in preparing the annual report and financial statements.

The Trustees and officers of the charity, address, legal and administrative details are given on pages 6 to 7. The Trustees are also approving the Strategic Report in their capacity as Directors.

### STRUCTURE GOVERNANCE AND MANAGEMENT

HESA is a charitable company limited by guarantee and was incorporated on 23 November 1992. It has one wholly owned trading subsidiary, HESA Services Limited, which was incorporated on 27 September 1995.

The Agency's two founding Members are two of the representative bodies for the higher education sector, namely Universities UK and GuildHE. The guarantee of each Member is limited to £1. The governing documents are the Memorandum and Articles of Association of the Company.

The management of the company and the group is the responsibility of the Trustees who are elected and co-opted under the terms of the Trust deed and its Articles of Association.

The Higher Education and Research Act 2017 established a new role of Designated body for English higher education information. HESA submitted an expression of interest to be designated as this body in 2017 and was announced as the DDB in February 2018, with this becoming fully effective from August 2019. HESA has made changes to its Articles of Association to ensure that it reflects the requirements of designation in respect of representation of the sector. The Articles of Association were last amended and approved on 18 October 2018.

Discussions took place with HESA members UUK and GuildHE, to agree the terms of these changes.

### CHARITABLE OBJECT

HESA's charitable object is to advance education for the public benefit. The following is a summary of the powers of the Agency set out in its Memorandum of Association, in furtherance of this object:

- to provide a statistical service to those concerned with HE in the UK;
- to collect, analyse and publish data for higher education institutions in the UK, to provide such data to higher education institutions in the UK, each of the HE funding councils and education departments in the UK and such other persons as the Agency think fit;
- to publish and distribute material that the Agency thinks is desirable for the promotion of its objects;
- to undertake research in the HE system and to publish the results of such research; and
- to organise meetings or other events to promote its objects.

## APPOINTMENT OF TRUSTEES

The HESA Board seeks to ensure that appointments to the Board provide expertise and experience well suited to the governance of the Agency, bearing in mind the particular responsibilities of the Agency and the nature of the services it delivers. The Board seeks through co-option to enhance further the range and balance of experience and expertise available within it. The Board of Directors are appointed by the Members and Directors.

In 2018 HESA updated its Articles of Association, in consultation with its members GuildHE and UUK, to better reflect the requirements of the Higher Education Research Act (HERA), its new role as DDB for England, and the changing HE landscape. These were formalised in October 2018.

During the course of the year three existing Trustees resigned and HESA undertook a successful recruitment process to identify their replacements. In addition, it was agreed with the members to recruit to new roles in line with the draft updated articles, in readiness for their formalisation, which took place in October 2018. Those new roles, whilst recruited to during the latter part of the year, were not formalised until after the new articles were formally adopted.

Under the previous articles (in place until 18 October 2018) Directors were appointed for a period of one year (renewable annually). Under the new articles appointments will be for three years. Directors are able to serve up to two consecutive terms and, in exceptional circumstances, the Board may determine, Directors may serve further terms of office. Directors in office on the date immediately before the 'effective date' of the new Articles, will be deemed to be newly appointed. The Directors will agree who will retire from office on the first, second and third anniversaries of the Effective date to provide a staggered process.

### Board constitution

Articles to 18 October 2018	Articles from 18 October
<ul style="list-style-type: none"> <li>• Four Trustees appointed by Universities UK;</li> <li>• One Trustee appointed by GuildHE;</li> <li>• The Chief Executive (appointed by Universities UK and GuildHE);</li> <li>• At least two but not more than five Co-opted Trustees are appointed by the Trustees.</li> </ul>	<ul style="list-style-type: none"> <li>• up to four persons nominated by UUK</li> <li>• up to one person nominated by GuildHE</li> <li>• the CEO, by virtue of his/her employment by the Charity in that capacity;</li> <li>• up to one person appointed by the Board (having consulted with GuildHE, Independent Higher Education, and such other HE provider representative groups as the Board considers appropriate) to better enable the Board to reflect the diverse types of HE provider who subscribe to the Charity and who will in the opinion of the Board have a comprehensive knowledge and understanding of the selected type of HE provider from which the Board wishes to recruit;</li> </ul>

	<ul style="list-style-type: none"> <li>• up to one person appointed by the Board who is considered by the Board to be engaged wholly or mainly in the governance or management of a further education college which provides higher education and who will (in the opinion of the Board having consulted with the Association of Colleges and the UK Council of Colleges or their successor bodies) have a comprehensive knowledge and understanding of such colleges;</li> <li>• up to six persons appointed by the Board (to be referred to as “co-opted directors”); and</li> <li>• up to one person appointed by the Board being a student or a representative of a body which represents the interests of students.</li> </ul>
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HESA has a Trustee Appointment and Induction Policy which must be complied with for all Trustee appointments. Appointments by Universities UK and GuildHE are made following advertisement of the appointment in their newsletters and interviews of interested candidates. Co-opted appointments are made by the Board on the recommendation of HESA’s Nomination and Governance Committee. For recruiting new co-opted Trustees, HESA produces a Trustees Information Pack (including clear role profiles) advertises the vacancies and operates an interview process. Where appropriate, HESA may use an independent specialist agency to assist with this process. Due diligence is completed on all potential Trustees to ensure that they are Fit and Proper Persons, including searches of the Register of Disqualified Directors, The Insolvency Service Register for recently disqualified directors, and the Individual Insolvency Register. Reviews of potential conflicts of interest are also carried out.

Following appointment to the Board, new Trustees attend an induction meeting at which they receive presentations from the Chief Executive and senior staff detailing HESA’s organisational structure and how it operates. They are given a Trustee Handbook that includes important relevant documents, including the Memorandum and Articles of Association, an Organisation Chart, guidance from the Charity Commission and Companies House, details of Committees, calendar of meetings and the latest Consolidated Financial Statements. The Trustees Handbook is also accessible online and is updated as necessary by HESA.

During the course of the year HESA has worked with its member bodies UUK and GuildHE to develop a membership application process which provides clarity on eligibility criteria that prospective new members must meet to be admitted as members. This also includes information on the consultation process that will be followed in gathering views from existing members.

## DECISION MAKING

The HESA Board has overall responsibility for HESA's assets and property. Its principal responsibilities are to:

- Critique and determine the mission and vision of HESA, the overall strategy and key performance indicators.
- Ensure that HESA pursues its charitable object and agreed mission.
- Ensure the establishment and monitoring of systems of control and accountability.
- Set HESA's budget to ensure the financial stability, probity and sustainability of HESA.
- Ensure that HESA complies with its constitutional documents, charity law, company law and any other relevant legislation or regulations.
- Monitor and evaluate HESA's performance against agreed targets.

In the coming year HESA will work with its member bodies to develop a membership agreement which will provide clarity on roles and responsibilities of both HESA and its members. It will reference the member application process (see above), duty to act in the best interest of HESA, matters reserved for the members, confidentiality, and the dispute resolution process.

Work is currently planned to take place in the coming year on updating the Articles for the subsidiary company HESA Services Limited (HSL) and to put in place a new framework agreement between HESA and HSL. To ensure compliance with GDPR, and pending approval of the wider Framework Agreement, a GDPR compliant, data processor agreement has been entered into between HESA and HSL. This reflects the current nature of the relationship: i.e., that HSL is Data Processor for HESA.

The HESA Board usually meets three times a year, with additional meetings held as necessary to support decision making, and for strategic discussion and board development.

The Articles of Association for HESA outline matters reserved for the Board in section 105 as follows:

*105.1 the approval of the annual estimates of income and expenditure;*

*105.2 the approval of the annual operating plan and the key objectives of the Charity;*

*105.3 the approval of the annual accounts and reports of the Charity;*

*105.4 ensuring the solvency of the Charity and the safeguarding of its assets; and*

*105.5 ensuring the continued charitable status of the Charity.*

The Articles were previously amended to dispense with the holding of annual general meetings recognising that HESA's members and a representative of the higher education funding bodies attend HESA's board meetings as Observers. A code of conduct for Observers to the Board is in place and is kept regularly updated.

The Board has established three sub-committees to which it delegates responsibility for particular activities. Each committee has clear terms of reference that are regularly reviewed. These are:

- An **Audit Committee** to assist the Boards of HESA and its wholly owned subsidiary HESA Services Limited in discharging their responsibilities for the financial statements, monitoring the effectiveness of internal controls, providing assurance on the effectiveness of their risk management arrangements, ensuring effective internal and external audit arrangements are in place and adopting best practice in corporate governance.
- A **Remuneration Committee**, which is chaired by the Chair of the Board. The key responsibilities of the Remuneration Committee are to determine the salaries of the Chief Executive and the Company Secretary, to review the salaries of the senior staff set by the Chief Executive in accordance with HESA's pay policy and to keep under review the appropriateness and relevance of HESA's pay policy. Further responsibilities of the Committee include recommending to the Board the overall salary uplifts of the Agency and in ensuring staff remuneration and benefits are kept under review. In setting and reviewing salaries and keeping under review the appropriateness and relevance of HESA's pay policy, HESA benchmarks against higher education providers and other sector agencies pay awards. HESA also uses a specialist pay policy consultant.
- A **Nominations and Governance Committee** whose responsibilities include making recommendations to the HESA Board in relation to the appointment of Board members, ensuring an appropriate mix of skills and expertise is represented on the Boards of HESA and HESA Services Limited, and monitoring and managing conflicts of interest.

During the course of the year the Board approved an updated Scheme of Delegation which will continue to be refined to fit business needs. Governance and decision-making structures were also reviewed and updated, applying the Charity Governance Code and considering additional practices HESA should implement to strengthen decision making, reporting, performance and assurance processes across the business, in doing so consideration has been given to good practice outlined in the new Code of Governance, and a further review against this will take place during 2019 as the new governance arrangements are embedded.

The Board has delegated the day to day management of HESA to the Chief Executive, who is supported in this by the Executive Management Group

## HESA ORGANISATIONAL STRUCTURE

During 2017/18 HESA put in place a new Target Operating Model to support the organisation to deliver its ambitions and to effectively meet its obligations as DDB. This resulted in an organisational restructure around two lines of business – HESA Statutory and HESA Enterprise. Supporting these lines of business through provision of shared services, are Core Service Groups for Data and Innovation, Corporate Services, Technology, Legal and Compliance, and Corporate Affairs. The restructure of staff took place between February and July 2018.

The 2017/18 organisational restructure has enabled HESA to:

- Streamline its internal structure and improve internal coordination and communication.
- Provide clarity on governance, roles and responsibilities of key internal decision-making groups and business processes.

- Introduce new capacity in the key areas of business – Statutory Services and Enterprise; and clarity on roles and responsibilities within core services to better support the operational, commercial, and business system changes required in HESA in order to deliver our strategy.
- Successfully transition to an Agile software development environment.
- Incorporate the work of the Higher Education Data and Information Improvement Programme (HEDIIP) into HESA business as usual.
- Provide dedicated senior resource to lead the Data Futures Programme, recognising its strategic importance to the organisation and to enable the outputs from the Data Futures Programme to transition to business as usual as HESA prepares to run Data Futures pilots and go live in 2019/20.

HESA will be continuing to reflect and respond to operational and business requirements in the coming year, as we move towards implementation of designation in August 2019.

## STRATEGIC REPORT

### VISION

HESA's aim is to be the analytical powerhouse for the UK HE sector, and the trusted source of national HE statistics and public information. We seek to provide flexible, efficient, high-quality data, information, and analytical services to meet user needs, to support better decision-making in higher education, to promote public trust and confidence, and to enhance the competitive strength of the UK HE sector.

### STRATEGIC OBJECTIVES

HESA has four strategic aims in support of its vision:



HESA's Corporate Strategy for the period 2016 to 2021 is published in full at [www.hesa.ac.uk/strategy](http://www.hesa.ac.uk/strategy) and reported on below under Performance and Achievements.

The HESA Corporate strategy is designed to upgrade and modernise our data collection systems and processes to enable us to deliver greater efficiency and effectiveness to the HE data infrastructure.

Our aims are to provide flexible, efficient, high quality data, information and analytical insight to meet user needs, to support better decision-making in higher education, to promote public trust and confidence, and to enhance the competitive strength of the UK HE sector.

The four strategic aims of the 2016 to 2021 strategy can be summarised as follows:

#### **1. Upgrade the UK HE data infrastructure**

- Rationalise our data collection systems and processes, and move to in-year data collection through the Data Futures Programme.
- Establish sector-owned mechanisms for collective decision-making and scrutiny of UK HE data, with a mandate to reduce burden.
- Improve the speed, timeliness, and efficiency of our data collections and deliveries.
- Move our technology platform and data to the Cloud.
- Plan for the future of data collection and dissemination beyond 2019/20.

#### **2. Increase the usefulness of the data we collect**

- Make as much of our core data as possible available as open data.
- Improve data capability in the UK HE sector.
- Develop common data specifications that can meet the needs of the widest group of users, while minimising burden .
- Regularly review our data collections to ensure proportionality and usefulness.
- Link HESA data with that of other HE Sector and public sector data collectors and suppliers.

#### **3. Enhance insight through analysis and dissemination**

- Continuously develop and improve our hosted analytics service, Heidi Plus.
- Develop new, bespoke products and services which meet the needs of users.
- Provide 'policy-ready' data by ensuring that our data is accessible and available to policy-makers and decision-makers when they need it, in the form they need it.
- Improve understanding, confidence and public trust in UK higher education through commentary, analysis and visualisation.

#### **4. Operate efficiently**

- Review our organisational structure and functioning with the aim of increasing efficiency.
- Carry out due diligence on options to increase collaborations and partnerships, and to share services with other organisations.
- Reduce internal bureaucracy.
- Further diversify our income streams, to minimise the cost to the sector of HESA's core services.
- Develop a sustainable long-term cost base and investment plan.
- Recruit and retain staff with the skills to deliver our strategic aims.

HESA remains committed to delivering the aims set out in our Corporate Strategy 2016-21. However, since publication there have been significant developments that affect our overall strategy. These encompass both internal and external changes as the UK HE sector is becoming larger, more diverse and more dynamic than it has ever been. Recent external events have added to the complexity and competitive nature of the environment and the financial pressures faced. With the passing of the Higher Education and Research Act in May 2017 and HESA's confirmation as the DDB this will require HESA to extend its role and relationships within the new regulatory framework and to review its governance, financial model and operations.

As a result of the complex environment in which HESA is operating and the scale of change underway both within HESA and the wider HE economy, the Board has recognised there is a need to review and revise our strategy to accommodate necessary levels of flexibility. This work began in 2017/18 and will continue over the next year as we develop the building blocks required to operate as the DDB and deliver a sustainable business. Over the course of 2018/19 we will work to develop a refreshed strategy for 2019-2022.

Further detail on our Annual Operating Plan and next steps are provided in the Plans for the Future section at the end of the report.

## DELIVERING PUBLIC BENEFIT

The Trustees have regard to the Charity Commission Guidance on Public Benefit in discharging their responsibilities. A copy of the Guidance is provided to Trustees on appointment, is re-circulated annually, and is contained within the Trustees Handbook.

As outlined earlier, HESA's charitable object is the advancement of education, primarily by providing a statistical and data service. In accordance with the Agency's object, powers and mission statement the aims of the Agency are intended to benefit the following users of higher education data:

- A broad range of members of the public including current and prospective students and their advisors, researchers and journalists;
- higher education providers;
- UK Government (including government departments, devolved governments and agencies);
- UK higher education funding bodies; and
- bodies/entities with a duty or interest in the monitoring, maintaining and promotion of equality of opportunity.

HESA collects, processes, assures, analyses, and disseminates data on all aspects of higher education activity throughout the United Kingdom. In delivering this service HESA has regard to the needs of its beneficiaries (i.e. data providers and data recipients). HESA has broad representation on its Board, including individuals holding senior positions in HE. This has been strengthened through its recent revisions to its Articles of Association. It also hosts a number of stakeholder groups and consults widely to identify the needs of its beneficiaries. Topics consulted on during the financial year include, Data Futures specification and readiness, Graduate Outcomes, Staff Record and the Estates Record.

In addition to providing data to HESA's Public Purpose and Statutory Customers, HESA makes data available through publications, bespoke data enquiries, online interactive management information to HE providers (through the Heidi Plus service), and by providing appropriate open data on the charity's website. HESA has also established a linked data process under which HESA Data can be supplied by the Department for Education linked to the National Pupil Database and Individual Learner Record. This service is currently in transition to be hosted by the Office for National Statistics.

HESA keeps under review any potential harm that could occur in delivering the benefits provided to its beneficiaries. To date no detriment has been identified as occurring as a result of the Agency's activities. The Agency is very aware of the need to process data in compliance with the law, and during the year put in place a plan for preparing for complying with the General Data Protection Regulation and the Data Protection Act 2018. HESA makes every effort to ensure our activities do not infringe individuals' data protection rights, including taking external legal advice where required.

Our activities are regularly reviewed in the context of data protection law, particularly in light of the growing demand from government bodies for the use of HESA data.

HESA Services Limited, which is not a charity, undertook training, provision of data services, and bespoke information analysis on behalf of HESA over the past year, for third parties, such as researchers, journalists and employers. The distributable profits of this company are paid to HESA annually under a deed of covenant, and are used to limit increases in subscriptions. The gift aid payment is calculated as the "taxable profits" of HESA Services Limited for such accounting period (being the amount of its profits on which Corporation Tax falls to be borne but without deducting any gift aid payments to Higher Education Statistics Agency or, if lower, the realised profits available for distribution calculated in accordance with the provisions of the Companies Act 2006 for that accounting period). The written resolution in respect of gift aid payments in this accounting period was passed on 15 June 2018.

HESA's open data strategy seeks to ensure that as much of HESA's data as possible is available as open data by 2021. The exception to this is personal data and commercially sensitive information. The strategy is intended to encourage much wider innovation and entrepreneurship in the development of new higher education data related products and services, including in relation to student focussed products, and to meet the public interest in higher education statistics. In February 2018 we published our biggest output, HE Student Data, as open data. In addition, all Statistical First Releases (SFRs), Performance Indicators, as well as our HE-BCI and Estates publications, are available as open data. The plan is that all current paid-for publications will be available in an open data format by 2020.

HESA's data visualisation and analytics online platform (Heidi Plus) continues to be used by the higher education sector as a benchmarking and performance management tool. There are also 20 non-Higher Education Provider subscribers to the service, mainly consisting of sector bodies and statutory customers. Take-up of Heidi Plus amongst HE institutions continues to grow, with 157 HE institutions now using Heidi Plus (representing 94% of HE institutions), with over 3,500 users. 30 'Alternative Providers' have applied to access the AP version of Heidi Plus that is being provided as part of their HESA subscription. Heidi Plus continues to strengthen the value proposition for subscribing organisations. During 2017/18 we have started to refresh service content using dashboards created within Jisc's Analytics Lab service, which are provided through Heidi Plus as 'Community Dashboards'.

HESA contributes to the UNISTATS website for the benefit of prospective students and students through the collection, preparation and supply of source data. HESA also publishes the entire UNISTATS and KIS dataset as a free of charge open data resource available to all.

HESA data is also available via the <http://data.gov.uk> website.

In the following sections, there is further detail about how the public benefit principles are met by the Agency. The Trustees have been advised on the public benefit requirement and in preparing this Report, the Trustees have had regard to the guidance that the Charity Commission has published on the public benefit requirement under the Charities Act 2011.

## PERFORMANCE AND ACHIEVEMENTS

HESA's performance and achievements are reported on below against the four strategic aims of the HESA's Corporate Strategy for the period 2016 to 2021.

Each year HESA publishes an annual Impact Report. A copy of the latest report can be found at <https://www.hesa.ac.uk/about/impact>, with the next due for release in November 2018.

This section reports on HESA's performance and achievements during the financial year and to date.

#### Aim 1: Upgrade the UK HE data infrastructure

### Delivery of HESA's Current Data Collections

In the period since the previous Chair and Chief Executive's Report, HESA has delivered the following annual data collections:

- 2016/17 Student Record
- 2016/17 AP Student Record
- 2016/17 Aggregate Offshore Record
- 2016/17 Staff Record
- 2016/17 Finance Statistics Return (FSR)
- 2016/17 Higher Education Business and Community Interaction (HE-BCI) Survey
- 2016/17 Estates Management Record
- 2016/17 Destinations of Leavers from Higher Education (DLHE)
- 2017/18 Provider Profile Record
- 2018/19 In-year Initial Teacher Training (ITT) web service
- 2018/19 UNISTATS

The following collections are open for providers to submit data and are due to be delivered shortly:

- 2017/18 Student Record
- 2017/18 AP Student Record
- 2017/18 Staff Record
- 2017/18 Aggregate Offshore Record

The following collections are open (or will be opening shortly) for providers to test their systems and data:

- 2018/19 Student Record
- 2017/18 Finance Statistics Return (FSR)
- 2017/18 Higher Education Business and Community Interaction (HE-BCI) Survey

The following collections are open as fixed databases:

- 2015/16 Student Record
- 2015/16 AP Student Record

Impact:

In delivering this current schedule of collections HESA has successfully provided information to statutory customers for policy/and or funding purposes, published both Official and National Statistics products and provided information for general use.

To ensure that collections are completed to time and to the agreed quality, HESA has supported 264 higher education providers through over 39,000 email conversations, liaising with 5,888 different individuals in submitting data and enabling higher education providers to fulfil their statutory reporting requirements in an efficient and cost effective manner.

This has resulted in the processing of more than 123 million records, arriving at complete and quality checked data concerning over 2.8 million students and graduates from across 264 higher education providers.

### Rationalise our data collection systems and processes

HESA's Data Futures Programme continues to progress towards its objective to deliver a modernised and more efficient approach to HE data collection. The programme will allow for the collection of more timely data that is fit for purpose. It will also minimise burden on the sector by streamlining processes, reducing the number of collections, and establishing common data standards. When it goes live in the academic year 2019/20 a new HESA Student Collection will be operated by HESA replacing three existing data collections. The following things have been delivered during the year:

- Implementation of the Alpha pilot
- Workshops have been held with statutory customers to walk through the data specification and to resolve outstanding technical issues
- The Collection Specification, that underpins the HESA Student Collection on the HESA Data Platform was agreed, and the coding manual updated and re-published on 22 October 2018.
- A 'preparation toolkit' was released to all providers, to enable them to assess their capability for submitting the new in-year HESA return.
- A further Readiness Survey took place from July to September 2018, which provided an early indication of provider readiness for the Programme Board, more complete analysis is expected in December 2018.
- Data specification training for the 2019/20 Data Futures Student Return was provided across the country to give further information on the model and data quality needs.

This year has also seen the implementation, in earnest, of the Higher Education Classification of Subjects (HECOS framework) published in 2017, which has supported providers through their UCAS submissions and is helping to promote our goal of better capturing the diversity of modern higher education provision.

Impact:

Implementation of the Alpha pilot:

Significant improvements and refinements have been possible based on positive Alpha participants feedback about the system, user interface design. Collaboration with other organisations has been invaluable to aid learning and planning and has also shaped the technical implementation of the project. The use of the Data Entry Tool to input data has greatly improved understanding of the new Data Model, and as a result HESA intend to release this to the wider sector. We have also facilitated wider sector learning by supporting participants at various events, including SROC, Software User Groups.

Beta pilot preparation:

111 providers have signed up to join the Beta test phase (almost 50% of the total number of HESA-subscribing institutions). Testing is due to commence in early 2019 and the Beta phase will through to October 2019.

## Establish sector-owned mechanisms for collective decision-making and scrutiny of UK HE data, with a mandate to reduce burden

HESA led on the formation and hosting of the Data Landscape Steering Group (DLSG) and its associated Advisory Panel, which were designed to provide oversight and leadership of the data landscape across the UK HE sector.

HESA has also published codes of practice for data collectors and data providers on behalf of the DLSG. The code has been publicly supported by the following organisations, who represent the largest data collectors within the HE sector: OFS, HEFCW, SFC, UCAS, Student Loans Company

The DLSG has published its first Annual Report, which can be found on the HESA website ([https://www.hesa.ac.uk/files/DLSG Annual Report 2017-18.pdf](https://www.hesa.ac.uk/files/DLSG%20Annual%20Report%202017-18.pdf)).

Impact:

DLSG promotes best practice in the collection and handling of data, as well as developing strategies to minimise the burden of data collection and improve the quality, timeliness and accessibility of information. Since inception, the group has overseen the implementation of the HECOS framework, and HESA has consulted on a burden assessment and data governance model to benefit the whole HE sector. The new approach for implementing the code of practice will enable HESA to ensure that in considering any request for the collection of data from the HE sector, that burden on the sector is properly considered; and also provides a mechanism for HESA to ensure that the requirements of GDPR are considered when changes to the data being collected by HESA are being proposed.

## Improve the speed, timeliness, and efficiency of our data collections and deliveries

HESA is continuing to take a “digital by default” approach; reducing manual processing and creating more informative reports with increased functionality. As work increases on the delivery of the HESA Data Platform through the Data Futures programme, improvements on legacy systems have been minimised.

The development phase of the Data Futures programme will deliver an 'always on' collection which will offer flexibility to providers in how they supply data and enable HESA to deliver high quality and timely data to customers.

Impact:

Our work with through the Data Futures Alpha pilot, with participants, Statutory Customers and software houses throughout the design and build phases, has ensured that the roadmap for the system continues to deliver the improvements that matter most to our customers.

Minimisation of resources being allocated to support legacy systems has been an essential element to managing the delivery of the Data Futures programme. However, this has been done in such a way as to minimise impact upon the providers interacting with the systems and has not had an impact on our overall delivery of collections.

## Move our technology platform and data to the Cloud

HESA has previously implemented Cloud-based Office 365 and SharePoint Online. IT Infrastructure services are continuing to migrate to Microsoft Azure and other third party cloud/software as a

service (“SaaS”). During the last year progress has been made in the use of cloud hosted CRM; email management; data collection and identify management systems and in moving legacy file storage and systems to cloud and continuing to improve our ability to work remotely.

Impact:

The use of cloud and SaaS reduces HESA’s administration burden for these solutions and improves HESA’s business continuity resilience. It is a cost effective method of purchasing services to ensure HESA obtains value for money, and by leaving base technical provision to trusted cloud partners, it allows HESA technical staff to focus on higher value activities.

### Plan for the future of data collection and dissemination beyond 2019/20

The first collection for the Data Futures Programme will go live during the academic year 2019/20. The 19/20 year will be an annual return, using the new HESA Data Platform (delivered as part of the Data Futures Programme) and the new 19/20 Student record. This record combines the old Student record, the ITT teacher training record and the AP Student record into a new consolidated model which can also be used for in-year collection.

HESA is prioritising effort on the successful delivery of Data Futures, with work underway to develop the roadmap for other collections.

Impact:

The roadmap will enable HESA to build on the improvements delivered through Data Futures including developing increased analytics capability and identifying what HESA collections should be transferred to the new Data Collection platform to join the new Student Record.

### Aim 2: Increase the usefulness of the data we collect

#### Make as much of our core data as possible available as open data

HESA remains mindful of the need to find the right balance between confidentiality, disclosure control, and making the data we publish as open, useful, and meaningful as possible.

HESA consulted with the Open Data Institute and other key experts in the open data field and in 2017 HESA released its first full dataset publication (HE Business and Community Interaction) as open data. In February 2018 this was followed by HESA’s release of HE Student Data as open data together with all SFRs, UKPI’s, HEBCI and Estates, released in the new interactive open format in 2018.

Impact:

All data releases have been delivered on time against the strategy. However due to some technical issues, there has been a delay in releasing some of the metadata releases as published in the strategy. The “HE Business and Community Interaction” open data release has been downloaded more than 500 times. By releasing the HE Student data as open data, an open resource has been created which has been viewed on average 2,500 times a week since release in February. The constant stream of unique visitors, totalling over 100,000 to date, demonstrates the value that this resource provides to the sector.

## Improve data capability in the UK HE sector

As part of its Collection Governance Project, HESA promoted the importance of data capability to the sector and continues to do so. As previously reported HESA, through its HEDIIP Programme, developed a [data capability toolkit](#) to help providers understand and improve standards of data management and governance and over the past year the format of the data capability assessments has been updated with downloadable Excel spreadsheets replacing on line forms. The improved and refreshed version was relaunched in August 2018.

Impact:

The tool kit gives higher education providers with a mechanism to assess their readiness for Data Futures and plan for any necessary changes. The revised format allows direct data entry to the 30 questions enabling colleagues to work collaboratively across departments. In addition, through the HESA training team, we have continued to support the sector through training events and e-learning. The focus on Data Future's readiness has continued through Specification training with over 400 delegates from across England and Scotland attending these bespoke courses. Not only have these supported providers in their preparations, they have also provided an essential information flow into the programme.

The Training & Consultancy team has undertaken 61 seminars and 37 bespoke visits to providers and has worked with over 3,500 delegates at these events, engaging with the spectrum of the HESA Subscriber base.

## Develop common data specifications that can meet the needs of the widest group of users, while minimising burden

A full data specification for the new Student record being delivered through the Data Futures programme is being published iteratively at:

<https://www.hesa.ac.uk/collection/student/datafutures/default>.

Specification 2.0.0 was published 22 October 2018 and will form the basis of HESA's new in-year data collection. It comprises the data structure (XSD), definitions and notes of guidance, and standard analytical derivations. A range of scenarios have been developed to offer guidance to HE providers on completing the data return.

Impact:

The release of version 2.0.0. of the Collection Specification allows providers and Software Houses to begin their technical preparations for Data Futures. By releasing the supporting scenarios and Alpha Pilot feedback HESA have ensured that HEPs have all the information they need to fully embed Data Futures.

## Regularly review our data collections to ensure proportionality and usefulness

During the year HESA concluded and published the notifications of changes from our annual reviews and updates of the following data collections:

- Staff record 2018/19
- Student 2019/20 (Data Futures) specification consultation
- Estates Management Record (EMR)

- AP Student record 2018/19
- Student record 2018/19
- Unistats record 2018/19
- Initial Teacher Training record 2018/19

In addition, the work on delivering the Graduate Outcomes survey has delivered a revised collection specification.

HESA has recently started to use the burden assessment methodology defined by the Data Futures Collection Governance project, and the published outcomes from the most recent Data Futures Student record specification consultation have trialled this approach.

Impact:

HESA has endeavoured to keep change in its collections to a minimum, whilst meeting emerging policy requirements, to enable us to focus resources on preparation for the implementation of the new HESA Student Collection being developed by the Data Futures Programme. Nevertheless, during the year we have made some significant updates to the Staff record in light of the forthcoming REF2021 exercise (Research Excellence Framework), to the Finance record in light of new accounts directions, and to Unistats to accommodate the inclusion of LEO (Longitudinal Education Outcomes) data.

Through the development of the Graduate Outcomes survey and platform, HESA is able to deliver an improved service at a lower cost to the sector than was delivered through the Destinations of Leavers of Higher Education and Longitudinal Destinations of Leavers of Higher Education (DLHE & LDLHE).

### Link HESA data with that of other HE Sector and public sector data collectors and suppliers

During the year HESA has continued to work on and explore opportunities to link HESA data to other available data sources, with further work scheduled to take place throughout the remaining years of the current strategic period to 2021. Specific work over the past year has included:

- Ongoing work through the collaborative Analytics Lab project with Jisc.
- Working with UCAS to link admissions and student data to create more comprehensive statistics on entry to, and progress through, higher education.
- Working on bespoke Analysis data enquiries, Collaborative Research and Data Linking projects.
- Successfully winning and conducting HESA's first piece of collaborative research for the former OFFA (Office for Fair Access) alongside CFE Research looking at part-time study in Higher Education. The OFFA research involved a primary survey of part-time students to understand more about the challenges they face during study. This was linked to HESA records to reduce survey burden on participants, whilst also enabling a richer dataset to be created for analysis. For example, we were able to explore the responses of disadvantaged students (using two different measures) as part of our work.
- Working with the Nuffield Foundation to support the evaluation of the Q-steps programme, an initiative designed to try to increase the level of quantitative training to social science students. Nuffield have supplied HESA with module and course identifiers, which HESA has then had to link to its data to identify their students. We will be using this linked data to help them understand the value Q-steps has delivered in terms of boosting graduate outcomes.

#### Impact:

Through its collaborations with other sector agencies and research partnerships, as well as through its bespoke data provision joint working, HESA has continued to provide additional opportunities for data linking and sharing, as well as professional development to the HE sector demonstrating the value HE contributes to other sectors.

### Aim 3: Enhance insight through analysis and dissemination

#### Continuously develop and improve our hosted analytics service, Heidi Plus

HESA has continued to work closely with Jisc on the 'Analytics Lab' project, which creates and runs cross-organisational teams of staff to identify key challenges faced by universities and colleges and to construct prototype data dashboards and visualisations to provide insight in addressing those challenges. HESA has also invested in new Tableau 'cores' – processing capability that speeds up the service for users. Key activities over the past year have included: making Heidi Plus available to Alternative Providers (APs) as part of their subscription, onboarding 30 APs to use the service and adding the AP Student collection into the system. Rebranding of Analytics Labs output to 'Community Dashboards', making the first of these available to the sector free of charge within Heidi plus.

#### Impact:

The new dashboards have been made available to university and college users across the UK – supporting them in making evidence-based decisions. A pipeline of dashboards addressing a growing range of topics for an increasing number of professional communities within the HE sector has been developed in preparation for release in 2019. The new processing capability provides Heidi Plus with greater user capacity and improved quality of user experience.

#### Develop new, bespoke products and services which meet the needs of users

Product development was paused whilst the organisational design was underway. However, through that process a product development team was created, with an expectation to bring new products and services to market.

#### Impact:

Developing new products will enable HESA to diversify its income to minimise the costs to the sector of HESA's core services.

#### Provide 'policy-ready' data by ensuring that our data is accessible and available to policy-makers and decision-makers when they need it, in the form they need it

This objective has been supported by the ongoing delivery of the Open Data Strategy, in particular the release of our biggest data set so far, HE Student Data in February, as well as the wide variety of routes through which HESA disseminates data and information. Key work this year has included the bespoke research project with the former OFFA outlined above. The final report from the research supplied bespoke analysis of both HESA records and the primary survey, with interpretation of the findings also included, provides evidence-based output ready to utilise in policy making.

Impact:

The ongoing development of the Teaching Excellence and Student Outcomes Framework (TEF) is one example of a very significant policy area that has benefitted greatly through use of HESA data- in this case mainly through the annual supply of extensive data sets to our statutory users.

Development of HE policy in other areas, including the new regulatory framework in England and policy research to support any review of student funding in the UK, is expected to increasingly depend on the high-quality evidence base that HESA delivers.

### Improve understanding, confidence and public trust in UK higher education through commentary, analysis and visualisation

During the year HESA has increased the flow of commentary, analysis and communications to the sector, and has invested in tableau training to upskill staff in the creation of data visualisations.

A range of analysis work has been undertaken to support this area including the development of two blogs by HESA analysts designed to demonstrate the value of HESA data as well as its analytical capabilities. Blogs have been published to promote and share this work, including one looking to use Long DLHE data to help us understand more about the returns to education from undertaking an Economics degree, showing the added benefits our records possess. As well as one supporting the OFFA research project, showing the trends in part-time numbers over time, with new analysis by age and disadvantage.

Over the course of the year HESA staff have spoken at more than 50 events, ranging from open sector events such as Wonkfest, to targeted software supplier events and national sector conferences, to HESA hosted events for Graduate Outcomes and Data Futures, to conferences held by its members, UUK and GuildHE.

Impact:

HESA data plays a crucial role in promoting student choice. The UNISTATS course comparison site relies on our student, course and destinations data. All the leading league table and university guide compilers make substantial use of HESA data.

HESA data is regularly used to provide authoritative answers to Parliamentary Questions relating to HE across the UK and during the year HESA data was cited 65 times in the Houses of Parliament. It is also regularly cited in media commentary about the HE sector and wider socio-cultural trends; for example over the last year, our data has played a significant role in commentary on Brexit, grade inflation in HE, the gender pay gap, international students, diversity in academia, and widening participation.

### Aim 4: Operate efficiently

#### Review our organisational structure and functioning with the aim of increasing efficiency

During 2017/18 HESA put in place a new Target Operating Model to support the organisation to deliver its ambitions and to effectively meet its obligations as DDB. This resulted in an organisational restructure around two lines of business – HESA Statutory and HESA Enterprise. Supporting these lines of business through provision of shared services, are Core Service Groups for Data and

Innovation, Corporate Services, Technology, Legal and Compliance, and Corporate Affairs. The restructure of staff took place between February and July 2018.

Impact:

This work has ensured appropriate people resource alignment to delivery of HESA's strategy and objectives.

### Carry out due diligence on options to increase collaborations and partnerships, and to share services with other organisations

A Framework Agreement for the M5 collaboration, has been entered into with QAA and Jisc which sets out the legal terms and governance arrangements through which these organisations will work together collaboratively; sharing knowledge and resources to enable all parties to deliver services for our respective stakeholders in a cost-effective way.

This is in addition to the work linking data with UCAS, previously mentioned. Over the coming year HESA will continue to explore opportunities to continue to work in close collaboration with these and other sector agencies, for the benefit of the charity and of the sector.

Impact:

The M5 collaboration has produced some efficiencies through pooling of expertise and shared learning across a number of areas: technology support and development; marketing and communications; data protection; governance, legal; CRM management; and procurement.

Through the work with UCAS a more comprehensive picture is being built using statistics on entry to, and progress through higher education.

### Reduce internal bureaucracy

One of the design principles of the organisational design, including the review of governance arrangements and business processes, was to reduce duplication, strengthen processes, assurance and decision making and information flows. Included in this was the introduction of an Enterprise Change function, which will embed an efficient agency wide change programme and process.

A key tool procured and implemented over the last year was Pardot which enabled HESA to send mass mailings to its contacts to alert them to the updated GDPR privacy policy and to gain their consent to receive marketing material from HESA. Pardot also provides a greatly improved and streamlined mass mailing platform to be used by our Liaison, Communications and Enterprise teams.

Impact:

Improved systems and processes support the organisation to be more agile, streamlined and effective.

### Further diversify our income streams, to minimise the cost to the sector of HESA's core services

During the year HESA has delivered services to professional, statutory and regulatory bodies and to a range of other customers generating growth in revenue. We are continuing to explore ways to diversify income streams, as a means of reducing the burden on the sector. In doing so we are looking specifically to target public statutory and regulatory body organisations.

Impact:

Developing strategic plans for getting best value for the sector from our data.

### **Develop a sustainable long-term cost base and investment plan**

In implementing the Target Operating Model and new Organisational design the foundations have been laid for the new financial and subscription model. This will enable HESA to meet the requirements of becoming the DDB, as well as its wider UK role and will support future financial sustainability of the charity.

Impact:

The new structure underpins the financial model by creating clear distinction between resources for meeting statutory and non-statutory requirements (as far as is known at this stage). This work will continue to progress, resulting in a revised financial and subscription model for August 2019. This work will inform key activity over the coming year, ensuring that costs are accurately reflected, and that the cost base underpinning the new subscription is robustly devised.

### **Recruit and retain the staff with the skills to deliver our strategic aims**

As noted earlier the new Organisational structure has been put in place to support HESA in meeting its strategic aims and objectives.

With regard to staff retention, HESA's voluntary staff turnover increased from 11% in 2016-2017 to 16% in 2017-2018. This should be considered against a UK SME average turnover of 15.7% in 2016 and 18% in 2017. It is also anticipated that as HESA's new organisational design embeds, this will contribute to a decrease in turnover over the coming months.

During the year HESA has updated its pay policy to recognise the achievements of specific capabilities by staff, enabling HESA to better recognise and reward these achievements.

Impact:

In line with HESA's expectations, given the current level of change being experienced by HESA staff and a buoyant labour market, our voluntary staff turnover (staff turnover excluding, dismissals, mutual agreements and fixed term contracts) has increased. While voluntary staff turnover is higher than historical levels, it remains in line with the average for the size of organisation and the not-for-profit sector.

As HESA continues to undergo considerable change, it is taking proactive steps to ensure that its existing managers and staff are well equipped and supported through its management development programmes and PeopleHR system. This provides improved visibility of staff working hours, training requirements and appraisal outcomes.

The new recruitment processes are working well and are facilitating a more robust approach to ensuring that recruitment meets HESA's business capability requirements.

## RISK MANAGEMENT

A risk policy and process are in place to rate, monitor and escalate risks. This is integrated into HESA's management processes, and the risk register is reviewed in detail at the Audit Committee; with a report provided to both the HESA and HESA Services Limited Boards after each Audit Committee highlighting key risks and changes. In addition, all Board and Committee papers are linked to the relevant strategic risks. The Audit Committee identifies areas of HESA's operations that may benefit from internal audit assessment (either by HESA's internal auditors or other specialists), reviews findings and recommendations and reports these to the HESA Board. HESA is also accredited under quality standard ISO 27001.

Through the risk management and audit processes, the Trustees are satisfied that the major risks to which the Agency is exposed have been reviewed, and systems or procedures have been established to manage those risks and mitigate exposure. The principal risks and uncertainties that the Trustees consider HESA and its subsidiary are facing are interlinked and relate to the fact that HESA is continuing to undergo a period of significant transformation as it implements its new strategy, and responds to the fast moving environment in which it operates; including preparing effectively for its role as DDB for England; data protection; delivery of strategically important projects such as HESA's Data Futures Programme and Graduate Outcomes Project; ensuring HESA and its subsidiary have appropriate structures, staff levels and skills in place to implement its strategy; and ensuring HESA continues to be financially sustainable in the medium to long-term.

### Data Protection & Information Security

HESA and HESA Services continue to operate in a fast-moving information security threat landscape and one in which there is understandably significant focus on Data Protection. It is therefore vital that HESA is able to actively demonstrate that it takes information security and data protection seriously and complies with statutory requirements and best practice.

Over the last year the new Data Protection Act became law and General Data Protection Regulation came into effect. These increase the obligations on HESA and HESA Services in respect of information security and the Board remains accountable for ensuring that appropriate information security measures are in place. The requirements of this have been discussed in detail at the Audit Committee and at Board with further investment agreed into systems, controls and people resource. A GDPR Readiness Audit was undertaken in April 2018 for which HESA received 'substantial assurance' and a follow up Data Protection Audit is also planned for 2019.

HESA and HESA Services updated its ISO27001 information security management system certification to ISO27001:2013 in February 2018; this certification is valid until February 2021 and the last audit review was carried out by BSi in October 2018. HESA has also gained the new Cyber Essentials Plus certification. As part of the organisational re-design and review of governance, Information Security and Data Protection governance have been brought together as a single management group (ISDPMG) under the leadership of the Chief Technology Officer and the Data Protection Officer, and is now meeting monthly. This group provides assurance to the Executive Management Group and thereafter to the Audit Committee and Board on actions being taken to ensure data protection and information security compliance, and identifies additional actions required.

## Changes to the higher education landscape which may have an adverse impact on HESA

The new Higher Education & Research Act 2017 (HERA) contains provisions that relate to the collection of English higher education data, and require the English higher education information body to be designated by the Secretary of State, following a consultation run by the Office for Students. As noted earlier, HESA was confirmed as the DDB during the year and has been working with the OfS to develop a Memorandum of Understanding, which will be put in place in the coming year, to clarify how we will work together in the future. HESA remains mindful that the new regulatory landscape for higher education is still evolving and that the full impact on HESA is not yet fully known.

As noted in the previous report the Bell Review recommended (among other things) greater collaboration between sector bodies where relevant, or where it makes sense to do so. As noted earlier HESA has already increased its collaboration with other sector bodies and will continue to explore further opportunities for further extending this in the coming year.

## Delivery of strategically important projects such as Data Futures and Graduate Outcomes

### Data Futures

The successful delivery of HESA's Data Futures programme is essential for the modernisation of HESA's data collection system, and to supporting the upgrade of the UK HE data infrastructure.

The focus over the last year has been on the development of the Collection Specification including consultation with providers and statutory customers, development of software (particularly the Collection and Specification Portal and the Data Entry Tool), implementation of the Alpha pilot, and a range of communications and readiness activities as outlined earlier.

Delivering this complex Programme remains challenging, and the necessary de-scoping of some management functions to contain budget increases means that there will be increasing challenges for HESA particularly in the first year, until further tooling and automation can be developed. However, delivery timescales have been broadly maintained, with Data Futures still on target to deliver the solution required for an annual return in 2019/20, with in year submissions commencing in 2020/21.

### Graduate Outcomes

During the financial year HESA has taken ownership of delivering the new Graduate Outcomes survey to the sector and is working with sector leaders to ensure that this new survey is launched seamlessly. HESA has worked closely with ONS to understand where we need to build our capabilities, as the Graduate Outcomes survey means that HESA will be making direct contact with Graduates for the first time. We remain on track for delivery of Graduate Outcomes in December 2018, with the first data to be published in early 2020.

## Inappropriate structures, staff levels and skills to implement strategy

HESA has implemented its business capability model to ensure structures and capabilities are in place in readiness for taking on the role of DDB; and in support of delivering its UK wide activities. This included scoping out and delivering the Organisational re-design.

A number of controls are in place to support this including up-skilling existing staff, leadership and management development, resource planning, provision of appropriate training, and use of business cases for new posts and for any proposed new projects.

As a result of the Organisational Review HESA has increased its average staff head count from 132 to 142, to meet staffing needs identified.

As is to be expected, given the current level of change within the organisation and a buoyant labour market, our voluntary staff turnover (excluding, dismissals, mutual agreements, and fixed term contracts) has increased, but remains below comparable industry averages. We continue to monitor staff turnover on a monthly basis.

Staff are kept abreast of benefits available to them through PromPerks. This is a benefits hub that allows managers to recognise high performance through modest financial rewards as well as providing all staff with discounts.

In the coming year HESA will be reviewing its pay structure.

#### Ensuring HESA continues to be financially sustainable

HESA continues to face a challenging financial situation. In the previous report it was noted that the charity planned to operate a deficit budget for the first part of its current five-year plan, in order to release resources for internal investment and to support the Data Futures programme. HESA is currently three years into this plan, and able to operate with positive reserves during this period of change before seeking to strengthen its financial position for the future. By the end of the current strategic planning period, the charity plans to have returned to surplus, and will have strengthened its balance sheet.

Ultimately, as DDB HESA is able to charge a subscription level required to meet its expenditure on Statutory activities, however, HESA has put in place a number of measures to address the risk of needing to increase subscriptions above inflation. These include: diversifying income streams; reviewing its current funding and subscription model in preparation for designation (which includes a thorough review of the costs of current activities); phasing income and expenditure more efficiently; fluid reprofiling of in-year resources and forecast statements; implementing a new financial system with enhanced reporting capability; and implementing tighter internal cost monitoring and control processes and activity tracking.

#### PLANS FOR THE FUTURE

As policy-makers, HE providers, and the wider public understand more about the power of data, HESA will play an increasingly critical role. It will use its unique position to influence, and where appropriate, to drive change for the good of the sector.

The year ahead will provide both challenges and opportunities as the full implications of the Higher Education & Research Act 2017 and the external challenges become clear. The Board has taken time out to consider the strategic implications and has approved an Annual Operating Plan (AOP) for 2018/19 which reflects on priority areas for the coming year and which recognises that HESA is undergoing a period of substantial change during what will be a significant year of transition. A refreshed overarching Strategy will be developed in the coming year.

## FINANCIAL REVIEW

The group reported a net surplus for the year of £1,718,091 (2017 deficit: £599,653). This reported surplus is as a direct result of the Charities SORP requiring both the recognition of the Data Futures Grant income and the capitalisation of the Data Futures Asset, when looking at the group results before capitalisation of new intangible assets the company made a deficit of £523,916 which was largely in line with plans reflecting the HESA contribution to the Data Futures program in year.

Total incoming resources were £9,743,309 for the year compared with £9,194,349 in the previous period. Restricted income in the current year was £2,065,210 (2017: £2,622,952), being specific grant funding from a number of sources. The funding covered the majority of the costs of Data Futures, a programme of work that is being undertaken to implement the in-year collection of student data.

Unrestricted Funds income increased by £1,106,702 to £7,678,099 in the year. This increase was driven by an additional subscription to fund the set up of Graduate Outcomes collection and an increase in trading activities.

HESA's Data Futures Programme commenced in January 2015. During the year £360,523 was received from OFS, who took over the Data Futures grant obligations committed to by HEFCE who paid £707,500, £42,920 was received from DfE(NI), £64,057 was received from HEFCW, £225,000 from the Scottish Funding Council and £400,000 was received from JISC towards the cost of the Data Futures Programme. A total funding commitment of £8.4m has been the received towards the Data Futures Programme. Additionally in the year HESA received grant funding towards the cognitive testing of the New Graduate Outcomes survey with £80,091 received from HEFCE, £10,500 from SFC, £6,500 and from HEFCW and £2,000 from DfE(NI). All values relate to cash receipts rather than the income recognised in the SoFA and in Note 3.

Income from the Agency's trading subsidiary, HESA Services Limited, has increased to £1,578,960 (2017: £1,378,110). Demand for ad-hoc data requests through the Information Services Unit continues to be high, realising income of £966,492 in the year, an increase from £799,519 in 2017. Turnover through Analytical Services increased from £103,971 in 2017 to £113,105. Following implementation of HESA's Open Data Strategy sales of HESA's publications decreased to £20,516 a decrease of £13,995 from the previous year. This is part of a planned strategy to phase out such publications over time.

Total expenditure of the Agency was £8,025,218 (2017: £9,794,002) and of this £436,172 (2017: £2,616,773 ) was in respect of restricted funded projects; the HESA Data Futures and Graduate Outcomes Programmes. Expenditure from unrestricted funds was £7,589,046 for the year compared with £7,177,229 in the previous period.

The commercial profit of HESA Services Limited is £157,064 for the year, compared with a profit of £469,342 in 2017; the profitability of HESA services is expected to further decrease as we continue to absorb additional costs of regulation alongside a commitment to offer good value to the sector.

Under the Leases the Agency is required on termination to reinstate the premises to their original layout and condition; if required to do so by the landlord. During the previous financial year, a formal estimate was obtained. The estimated cost of this, including fees, is £248,000, and this has been provided for in full.

## FUNDRAISING

HESA has not engaged in any fundraising activities requiring disclosure under S162A of the Charities Act 2011. HESA's income is primarily subscriptions from its subscribers, grant income for sector approved projects and monies gift aided from its wholly owned subsidiary HESA Services Limited.

## INVESTMENT POLICY

The Agency's cash flow pattern is such that most of its subscription income is received in the early months of the financial year. This then funds future regular revenue and capital expenditure requirements. Where operationally appropriate, the Agency will seek to maximise return on cash deposits by placing fixed term and money market deposits at the most favourable rate, whilst maintaining optimum working capital levels. During the year the interest rates on fixed term balances remained low and HESA elected to keep more cash immediately accessible, investment income in the year decreased to £4,559 (2017: £13,548). HESA is currently in the process of developing its approach to investing funds that are held in excess of short term cash requirements.

## RESERVES POLICY

The Trustees have considered what may be an appropriate level of reserves for the Agency to be holding. The following have been taken into account when doing so:

- the need to ensure that we can support operational commitments in the forthcoming year as set out in the Report of the Trustees,
- the need to have flexibility to respond to unexpected variations in income and expenditure and opportunities as they arise,
- the ability to deliver the longer term strategic aims as set out in the Corporate Strategy 2016 - 2021,
- the need to establish the Agency in alternative accommodation on the termination of its existing lease,
- the nature of the Agency's income streams is such that the period around the year end is usually when reserves are at their lowest.

An amount of £650,000 (2016: £650,000) has been set aside in a Designated Accommodation Fund, being the estimate of sourcing, securing and the initial occupation costs of alternative office accommodation at the end of the current lease in 2025. The Trustees review the level of this fund annually to ensure that it is adequate but not excessive. Additionally, in the year a new designated fund has been set up to cover the future depreciation charge of the Data Futures asset in the year £1,970,383 was set aside for this. The Trustees receive financial reports at each meeting and review and approve a five-year financial plan and one-year operational budget annually. These are updated to take account of actual events during the year and the potential impact of significant financial events on reserves is considered by the Trustees. The level of unrestricted funds has reduced in line with plans from £1,543,134 in 2017 to £1,290,842 in 2018. The Trustees consider that this level of free reserves is sufficient for the Charity.

## PENSION PROVISION

The net change in the provision for HESA's cost of the deficit recovery arrangements put in place by the SAUL and USS pension schemes in line with the FRS 102 requirements was a reduction of £77,775 during the year ended 31 July 2018.

## TRUSTEES' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

*The Trustees (who are also directors of HESA for the purposes of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards).*

*Company law requires the Trustees to prepare financial statements for each financial year. Under company 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 charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the Trustees are required to:*

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

*The Trustees, who are also directors of HESA for the purposes of company law, are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions, disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006 and the provisions of the charity's constitution. They are also responsible for safeguarding the assets of the charity and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.*

*Insofar as each of the Trustees of the charity at the date of approval of this report are aware, there is no relevant audit information (information needed by the company's auditor in connection with preparing the audit report) of which the charity's auditor is unaware. Each Trustee has taken all the steps that he/she should have taken as a Trustee in order to be make himself/herself aware of any relevant audit information and to establish that the charity's auditor is aware of that information.*

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

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or*
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the charitable company's ability to continue*

*to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue*

#### **AUDITOR**

*On the 25 June 2018, Crowe Clark Whitehill LLP changed its name to Crowe U.K LLP. Crowe U.K LLP has indicated its willingness to be reappointed as statutory auditor. A resolution to re-appoint Crowe UK LLP as auditor will be proposed to the Members by way of written resolution in November 2018.*

*The Report of the Trustees incorporating the Strategic Report and other information is approved and signed by Order of the Board.*

Deborah Lawrenson  
**Company Secretary**  
Date:

**HIGHER EDUCATION STATISTICS AGENCY LIMITED**  
**(A company limited by guarantee)**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIGHER EDUCATION STATISTICS AGENCY LIMITED**

**Opinion**

We have audited the financial statements of Higher Education Statistics Agency Limited for the year ended 31 July 2018 which comprise the group Consolidated statement of financial activities incorporating income and expenditure account, the group Consolidated balance sheet, the charity balance sheet, the group Consolidated statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 July 2018 and of the group's incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

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

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

**Other information**

The Trustee is responsible for the other information. The other information comprises the information included in the Annual report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the

**HIGHER EDUCATION STATISTICS AGENCY LIMITED**  
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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIGHER EDUCATION STATISTICS AGENCY LIMITED**

work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinion on other matters prescribed by the Companies Act 2006**

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

- the information given in the Trustees' Report, which includes the director's report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and.
- the strategic report and the director's report included within the trustees' report have been prepared in accordance with applicable legal requirements.

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

In the light of our knowledge and understanding of the group and the charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the director's report included within the Trustees' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

**Responsibilities of trustees**

As explained more fully in the Trustees' responsibilities statement set out on page 32, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**HIGHER EDUCATION STATISTICS AGENCY LIMITED**  
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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIGHER EDUCATION STATISTICS AGENCY LIMITED**

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

**Use of our report**

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

Guy Biggin (Senior statutory auditor)

for and on behalf of

**Crowe U.K. LLP**

Statutory Auditor

Carrick House  
Lypiatt Road  
Cheltenham  
GL50 2QJ  
Date:

**HIGHER EDUCATION STATISTICS AGENCY LIMITED**  
(A company limited by guarantee)

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND  
EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 JULY 2018**

	Note	Restricted funds 2018 £	Unrestricted funds 2018 £	Total funds 2018 £	<i>Total funds 2017 £</i>
<b>Income and endowments from:</b>					
Charitable activities	2	2,065,210	6,094,580	8,159,790	<i>7,802,691</i>
Other trading activities		-	1,578,960	1,578,960	<i>1,378,110</i>
Investments	4	-	4,559	4,559	<i>13,548</i>
<b>Total income and endowments</b>		<u>2,065,210</u>	<u>7,678,099</u>	<u>9,743,309</u>	<u><i>9,194,349</i></u>
<b>Expenditure on:</b>					
Raising funds		-	182,114	182,114	<i>908,768</i>
Charitable activities		436,172	7,406,932	7,843,104	<i>8,885,234</i>
<b>Total expenditure</b>	6	<u>436,172</u>	<u>7,589,046</u>	<u>8,025,218</u>	<u><i>9,794,002</i></u>
<b>Net income before transfers</b>		<u>1,629,038</u>	<u>89,053</u>	<u>1,718,091</u>	<u><i>(599,653)</i></u>
Transfers between Funds	17	(1,629,038)	1,629,038	-	<i>-</i>
<b>Net income / (expenditure) before other recognised gains and losses</b>		-	1,718,091	1,718,091	<i>(599,653)</i>
<b>Net movement in funds</b>		-	1,718,091	1,718,091	<i>(599,653)</i>
<b>Reconciliation of funds:</b>					
Total funds brought forward		-	2,193,134	2,193,134	<i>2,792,787</i>
<b>Total funds carried forward</b>		<u>-</u>	<u>3,911,225</u>	<u>3,911,225</u>	<u><i>2,193,134</i></u>

The notes on pages 41 to 63 form part of these financial statements.

HIGHER EDUCATION STATISTICS AGENCY LIMITED

(A company limited by guarantee)

REGISTERED NUMBER: 02766993

CONSOLIDATED BALANCE SHEET

AS AT 31 JULY 2018

	Note	£	2018 £	£	2017 £
<b>Fixed assets</b>					
Intangible assets	9		2,707,435		619,559
Tangible assets	10		303,478		406,241
			<u>3,010,913</u>		<u>1,025,800</u>
<b>Current assets</b>					
Debtors	12	802,755		583,459	
Cash at bank and in hand		2,823,112		3,414,111	
			<u>3,625,867</u>	<u>3,997,570</u>	
<b>Creditors:</b> amounts falling due within one year	13	(1,766,172)		(1,780,571)	
<b>Net current assets</b>			<u>1,859,695</u>		<u>2,216,999</u>
<b>Total assets less current liabilities</b>			<u>4,870,608</u>		<u>3,242,799</u>
<b>Creditors:</b> amounts falling due after more than one year	14		(149,236)		(196,110)
Provisions for Liabilities	16		(810,147)		(853,555)
<b>Net assets</b>			<u>3,911,225</u>		<u>2,193,134</u>
<b>Charity Funds</b>					
Unrestricted funds	17		3,911,225		2,193,134
<b>Total funds</b>			<u>3,911,225</u>		<u>2,193,134</u>

The surplus for the year of the Charity dealt with in the financial statements was £1,718,091 (2017 : £599,653 deficit).

The financial statements were approved and authorised for issue by the Trustee on \_\_\_\_\_ and signed on their behalf, by:

**Professor Chris Husbands**  
Chair

**Mr Paul Clark**  
Chief Executive

The notes on pages 41 to 63 form part of these financial statements.

HIGHER EDUCATION STATISTICS AGENCY LIMITED

(A company limited by guarantee)

REGISTERED NUMBER: 02766993

COMPANY BALANCE SHEET

AS AT 31 JULY 2018

	Note	£	2018 £	£	2017 £
<b>Fixed assets</b>					
Intangible assets	9		2,707,435		619,559
Tangible assets	10		303,478		406,241
Investments			1		1
			<u>3,010,914</u>		<u>1,025,801</u>
<b>Current assets</b>					
Debtors	12	1,075,416		853,337	
Cash at bank and in hand		2,450,182		3,003,882	
		<u>3,525,598</u>		<u>3,857,219</u>	
<b>Creditors:</b> amounts falling due within one year	13	(1,665,904)		(1,640,221)	
<b>Net current assets</b>			<u>1,859,694</u>		<u>2,216,998</u>
<b>Total assets less current liabilities</b>			<u>4,870,608</u>		<u>3,242,799</u>
<b>Creditors:</b> amounts falling due after more than one year	14		(149,236)		(196,110)
Provisions for Liabilities	16		(810,147)		(853,555)
<b>Net assets</b>			<u>3,911,225</u>		<u>2,193,134</u>
<b>Charity Funds</b>					
Unrestricted funds			<u>3,911,225</u>		<u>2,193,134</u>
<b>Total funds</b>			<u>3,911,225</u>		<u>2,193,134</u>

The financial statements were approved and authorised for issue by the Trustees on  
signed on their behalf, by:

and

**Professor Chris Husbands**  
Chair

**Mr Paul Clark**  
Chief Executive

The notes on pages 41 to 63 form part of these financial statements.

**HIGHER EDUCATION STATISTICS AGENCY LIMITED**  
(A company limited by guarantee)

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 JULY 2018**

	Note	2018 £	2017 £
<b>Cash flows from operating activities</b>			
Net cash provided by operating activities	19	<u>1,740,146</u>	<u>933,848</u>
<b>Cash flows from investing activities:</b>			
Interest from investments		4,559	13,548
Purchase of tangible fixed assets		(93,697)	(137,871)
Purchase of intangible fixed assets		<u>(2,242,007)</u>	<u>(547,659)</u>
<b>Net cash used in investing activities</b>		<u>(2,331,145)</u>	<u>(671,982)</u>
<b>Change in cash and cash equivalents in the year</b>		<b>(590,999)</b>	<b>261,866</b>
Cash and cash equivalents brought forward		<u>3,414,111</u>	<u>3,152,245</u>
<b>Cash and cash equivalents carried forward</b>	20	<u><u>2,823,112</u></u>	<u><u>3,414,111</u></u>

The notes on pages 41 to 63 form part of these financial statements.

**HIGHER EDUCATION STATISTICS AGENCY LIMITED**  
**(A company limited by guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2018**

**1. Accounting Policies**

Higher Education Statistics Agency Limited (HESA) is a charitable company limited by guarantee. HESA is registered with the Charity Commission England and Wales (registered no: 1039709). The charity was incorporated as a company limited by guarantee with Companies House England and Wales (registered no: 02766993). Its registered and principal office is 95 Promenade, Cheltenham, Gloucestershire GL50 1HZ.

**1.1 Basis of preparation of financial statements**

The consolidated financial statements have been prepared under the historical cost convention in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Higher Education Statistics Agency Limited meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy.

The Agency has also taken advantage of the exemption available to a qualifying entity in FRS 102 from the requirement to present a Charity only Statement of cash flows.

**1.2 Going concern**

The charitable company has cash resources and has no requirement for external funding. The directors have a reasonable expectation that the Agency has adequate resources to continue in operational existence for the foreseeable future and consider that there were no material uncertainties over the charitable company's financial viability. They continue to believe the going concern basis of accounting appropriate in preparing the annual financial statements.

**1.3 Income**

Income is recognised when the Agency has entitlement to the funds, any performance conditions attached to the income have been met, it is probable that the income will be received and the amount can be measured reliably.

Subscription income is accounted for in the year to which it applies. Subscription income received during the year that relates to a subsequent financial accounting period is carried forward as a creditor in the balance sheet.

Income from contracts and other services rendered are accounted for on an accruals basis and included to the extent of the completion of the contract or service concerned. Any payments received in advance are recognised on the balance sheet as deferred income within liabilities.

Incoming resources from grants, whether 'capital' grants or 'revenue' grants are recognised when the agency has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

Investment income is accounted for when receivable.

**HIGHER EDUCATION STATISTICS AGENCY LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2018**

**1. Accounting Policies (continued)**

**1.4 Expenditure**

All expenditure is accounted for on an accruals basis and has been listed under headings that aggregate all the costs related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with use of resources.

Direct costs, including directly attributable salaries, are allocated on an actual basis. Overheads and other salaries are allocated between headings on the basis of management estimates of the amount attributable to that activity, mostly by reference to staff time. Charitable activities comprise all the expenditure incurred by the Agency in performing its charitable objects.

Support costs are those costs incurred directly in support of expenditure on the objects, and governance costs are those incurred in connection with organisational administration of the Agency and compliance with constitutional and statutory requirements.

Costs of raising funds are costs of the trading subsidiary.

All expenditure is inclusive of irrecoverable VAT.

**1.5 Basis of consolidation**

The Statement of financial activities (SOFA) and Balance sheet consolidate the financial statements of the company and its subsidiary undertaking, HESA Services Limited. The results of the subsidiary are consolidated on a line by line basis.

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Income and expenditure account.

**1.6 Intangible fixed assets and amortisation**

Intangible assets costing £500 or more are capitalised and recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably. Intangible assets are initially recognised at cost and are subsequently measured at cost net of amortisation and any provision for impairment.

Amortisation is provided on intangible fixed assets at rates calculated to write off the cost of each asset, less their estimated residual value, over their expected useful lives on the following bases:

Computer Software	-	3 - 10 years straight line
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**1.7 Tangible fixed assets and depreciation**

All assets costing more than £500 are capitalised.

HESA undertakes an annual review of its intangible and tangible fixed assets to ensure that where the net book value of an asset is greater than its economic benefit it will be deemed to be impaired and written down to its economic value.

**HIGHER EDUCATION STATISTICS AGENCY LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2018**

**1. Accounting Policies (continued)**

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold improvements	-	Over the remaining period of the lease
Office furniture	-	20%
Office equipment	-	20%
Computer equipment	-	33%25%20%/10%

**1.8 Investments**

Investments in subsidiaries are stated at cost.

**1.9 Leasing and hire purchase**

Assets held under finance leases and the related obligations are included at the fair value of the leased asset at the inception of the lease. Depreciation on leased assets is calculated to write off this amount on a straight line basis over the shorter of the lease term and the useful life of the asset. Rentals payable are apportioned between the finance charge and a reduction of the outstanding obligation for future amounts payable so that the charge for each accounting period is a constant percentage of the remaining balance of the capital sum outstanding.

**1.10 Operating leases**

Operating lease payments are charged to the statement of financial activities on a straight line basis over the lease term.

**1.11 Debtors**

Trade and other debtors are recognised at the settlement amount after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

**1.12 Cash at Bank and in hand**

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

**1.13 Liabilities and provisions**

Creditors and Provisions are recognised when the agency has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

**1.14 Financial instruments**

The agency only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

**HIGHER EDUCATION STATISTICS AGENCY LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2018**

**1. Accounting Policies (continued)**

**1.15 Foreign currencies**

Transactions in foreign currencies are translated at rates prevailing at the date of the transaction. Balances denominated in foreign currencies are translated at the rate of exchange prevailing at the year end.

**1.16 Pensions**

The split between restricted and unrestricted pension costs for both schemes are based on the actual staff costs attributed between both streams.

**Universities Superannuation Scheme**

The Agency participates in Universities Superannuation Scheme. With effect from 1<sup>st</sup> October 2016, the scheme changed from a defined benefit only pension scheme to a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The Agency is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the Agency therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme. Since the Agency has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the over deficit, the Agency recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

**Superannuation Arrangements of the University of London**

The Agency is a Participating Employer in SAUL. The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of SAUL's assets was £1.927 million representing 97% of the liabilities for benefits accrued up to 31<sup>st</sup> March 2014.

It is not possible to identify an individual Employer's share of the underlying assets and liabilities of SAUL. The Agency's accounts for its participation in SAUL as if it were a defined contribution scheme and pension costs are based on the amounts actually paid (i.e. cash amounts) in accordance with paragraphs 28.11 of FRS 102.

The Trustee and Employers agreed that the Technical Provisions deficit at the 31 March 2014 valuation would be addressed by employer contributions of 3% of Salaries between 1 April 2016 and 31 March 2018 (inclusive). The defined benefit liability has been fully paid during 2017/18 and therefore no liability exists at the year end.

**HIGHER EDUCATION STATISTICS AGENCY LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2018**

**1. Accounting Policies (continued)**

**1.17 Fund accounting**

General funds are unrestricted funds which are available for use at the discretion of the Trustee in furtherance of the general objectives of the Agency and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the Trustee for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted funds are to be used for specified purposes laid down by the donor. Expenditure for those purposes is charged to the fund, together with a fair allocation of overheads and support costs. The aim and use of each restricted fund is set out in the notes to the financial statements.

**1.18 Critical accounting estimates and areas of judgment**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Critical accounting estimates and assumptions:**

The agency makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**Useful economic lives of intangible and tangible assets**

The annual amortisation and depreciation charge for the intangible and tangible assets are sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on the technological advancement, future investments, economic utilisation and the physical condition of the assets. See Note 10 for the carrying amount of the tangible assets and Note 9 for the carrying amount of intangible assets and the above accounting policy for the useful lives for each class of assets.

**Pension Schemes**

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 a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as that provided by SAUL and USS. The accounting for a multi-employer scheme, where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit, results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in the Statement of Financial Activities. The directors are satisfied that the scheme provided by SAUL and USS meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

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**1. Accounting Policies (continued)**

**1.19 Termination benefits**

Termination benefits are measured at the best estimate of the expenditure to settle the obligation at the reporting date.

**2. Income from charitable activities**

	<b>Restricted funds 2018 £</b>	<b>Unrestricted funds 2018 £</b>	<b>Total funds 2018 £</b>	<i>Total funds 2017 £</i>
Provision of statistical service	-	<b>6,094,580</b>	<b>6,094,580</b>	5,179,739
Longitudinal DLHE survey	-	-	-	914,676
HESA-Jisc BI	-	-	-	37,310
Data Futures	<b>1,966,069</b>	-	<b>1,966,069</b>	1,663,951
Alternative providers	-	-	-	1,432
Welsh Further Education Institutions	-	-	-	5,583
Graduate Outcomes	<b>99,141</b>	-	<b>99,141</b>	-
	<u><b>2,065,210</b></u>	<u><b>6,094,580</b></u>	<u><b>8,159,790</b></u>	<u><i>7,802,691</i></u>
<i>Total 2017</i>	<u><i>2,622,952</i></u>	<u><i>5,179,739</i></u>	<u><i>7,802,691</i></u>	

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**3. Analysis of income from charitable activities by type of income**

	Restricted funds 2018 £	Unrestricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Subscriptions receivable from UK Higher Education Providers and sector bodies	-	5,711,967	5,711,967	4,907,633
Office for Students	-	79,225	79,225	79,500
National College for Teaching and Leadership	-	87,300	87,300	87,300
Research Councils	-	-	-	8,000
General Medical Council	-	13,674	13,674	13,674
Health Education England	-	40,500	40,500	40,500
Jisc	-	-	-	32,763
Other HE Sector contracts in connection with supply of National Pupil Database data	-	7,173	7,173	4,483
Engineering and Physical Science Research Council	-	18,925	18,925	-
National Records of Scotland	-	11,140	11,140	-
European Public Sector Award - DfE	-	2,660	2,660	-
Grants receivable	2,065,210	25,918	2,091,128	2,622,952
Other income	-	96,098	96,098	5,886
	<u>2,065,210</u>	<u>6,094,580</u>	<u>8,159,790</u>	<u>7,802,691</u>
<i>Total 2017</i>	<u>2,622,952</u>	<u>5,179,739</u>	<u>7,802,691</u>	

**Grants receivable from**

	2018 £	2017 £
Office for Students	314,969	-
Higher Education Funding Council for England	1,129,199	2,079,245
Higher Education Funding Council for Scotland	207,120	220,528
Higher Education Funding Council for Wales	62,463	176,068
Department for the Economy	-	73,861
Jisc	349,458	37,310
Research Councils	-	35,940
DfE Northern Ireland	2,000	-
Other	25,919	-
	<u>2,091,128</u>	<u>2,622,952</u>
Total	<u>2,091,128</u>	<u>2,622,952</u>

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**4. Investment income**

	Restricted funds 2018 £	Unrestricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Investment income	-	4,559	4,559	13,548
<i>Total 2017</i>	-	13,548	13,548	

**5. Support costs**

	Provision of statistical £	Longitudinal DLHE survey £	Data Futures £	Graduate Outcomes £	Total 2018 £	Total 2017 £
Other staff costs	215,756	-	-	-	215,756	382,156
Accommodation	469,927	-	-	-	469,927	448,372
Travel expenses	52,856	-	-	-	52,856	79,413
Meetings	17,409	-	-	-	17,409	22,219
Office costs	31,774	-	-	-	31,774	20,287
Technology and communications	558,733	-	-	-	558,733	174,840
Finance	12,508	-	-	-	12,508	3,260
Projects	58,578	-	-	-	58,578	13,068
Insurance	9,496	-	-	-	9,496	9,639
Subscriptions	6,743	-	-	-	6,743	12,016
Legal and professional External consultancy costs	101,712	-	-	-	101,712	77,395
VAT recoverable	-	-	60,093	376,079	436,172	1,970,293
	(30,010)	-	-	-	(30,010)	-
	<b>1,505,482</b>	<b>-</b>	<b>60,093</b>	<b>376,079</b>	<b>1,941,654</b>	<b>3,212,958</b>
<i>Total 2017</i>	<i>1,110,411</i>	<i>914,676</i>	<i>1,187,871</i>	<i>-</i>	<i>3,212,958</i>	

**Analysis of governance costs**

These are included in the provision of statistical services.

	2018 £	2017 £
Legal and professional	88,312	136,433
External audit fees	13,300	15,283
Internal audit fees	-	2,975
Costs of Trustees meetings	6,206	8,137
Total	<b>107,818</b>	<b>162,828</b>

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**6. Analysis of expenditure by expenditure type**

	Staff costs 2018 £	Depreciation 2018 £	Other costs 2018 £	Total 2018 £	Total 2017 £
Expenditure on fundraising trading	22,113	-	160,001	182,114	908,768
<b>Costs of raising funds</b>	<b>22,113</b>	<b>-</b>	<b>160,001</b>	<b>182,114</b>	<b>908,768</b>
Provision of statistical service	5,550,859	350,591	1,505,482	7,406,932	6,268,461
Longitudinal DLHE survey	-	-	-	-	914,676
HESA-Jisc BI	-	-	-	-	36,786
Data Futures	-	-	60,093	60,093	1,663,951
Alternative providers	-	-	-	-	1,360
Graduate Outcomes	-	-	376,079	376,079	-
<b>Charitable activities</b>	<b>5,550,859</b>	<b>350,591</b>	<b>1,941,654</b>	<b>7,843,104</b>	<b>8,885,234</b>
	<b>5,572,972</b>	<b>350,591</b>	<b>2,101,655</b>	<b>8,025,218</b>	<b>9,794,002</b>
<i>Total 2017</i>	<i>5,745,680</i>	<i>276,646</i>	<i>3,771,676</i>	<i>9,794,002</i>	

**7. Net income/(expenditure)**

This is stated after charging/(crediting):

	2018 £	2017 £
Depreciation of tangible fixed assets:		
- owned by the charitable group	196,460	190,616
Amortisation of intangible fixed assets	154,131	86,030
Auditor's remuneration - audit	10,400	10,195
Auditor's remuneration - preparation of the financial statements	2,900	-
Internal audit costs	-	5,400
Operating lease rentals	233,591	232,896
Finance lease interest	386	551
Loss / (profit) on disposal of fixed assets	29,153	(358)
Pension contributions	789,411	723,540
Other auditors remuneration- other services	-	122,888

The emoluments of the Chief Executive Mr Paul Clark were £121,793 (2017: £118,476) with Employer's Pension contribution into the USS scheme of £21,923 (2017: £21,326). Payments to a Trustee are authorised in the Company's Memorandum of Association and approved by the Charity Commission and is paid under a contract of employment.

During the year 7 Trustees received reimbursement of expenses amounting to £1,337 (2017 - 5 Trustees £896). These expenses related to travel and hotel accommodation.

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**8. Staff costs**

Staff costs were as follows:

	<b>2018</b>	<i>2017</i>
	<b>£</b>	<b>£</b>
Wages and salaries	<b>4,610,111</b>	<i>4,459,854</i>
Social security costs	<b>344,322</b>	<i>470,322</i>
Other pension costs	<b>618,539</b>	<i>815,504</i>
	<b><u>5,572,972</u></b>	<i><u>5,745,680</u></i>

The total amount relating to termination payments during the year included in wages and salaries was £72,338 (2017: £nil). These amounts relate to agreements made with employees to end employment contracts. The amount outstanding at the year end was £nil.

The average number of persons employed by the agency during the year was as follows:

	<b>2018</b>	<i>2017</i>
	<b>No.</b>	<i>No.</i>
Provision of statistical service	<b>78</b>	<i>82</i>
Support	<b>29</b>	<i>23</i>
Generating funds	<b>22</b>	<i>14</i>
	<b><u>129</u></b>	<i><u>119</u></i>

The number of higher paid employees was:

	<b>2018</b>	<i>2017</i>
	<b>No.</b>	<i>No.</i>
In the band £60,001 - £70,000	<b>3</b>	<i>2</i>
In the band £70,001 - £80,000	<b>1</b>	<i>1</i>
In the band £80,001 - £90,000	<b>1</b>	<i>5</i>
In the band £100,001 - £110,000	<b>1</b>	<i>0</i>
In the band £110,001 - £120,000	<b>1</b>	<i>1</i>
In the band £120,001 - £130,000	<b>1</b>	<i>0</i>
In the band £140,001 - £150,000	<b>1</b>	<i>0</i>

The aggregate remuneration of key management personnel (including Chief Executive) for the year totalled £648,425 (2017: £677,148) with employer's pension contributions into the USS scheme of £112,938 (2017: £123,108). The remainder of the Executive Management Group for the year consisted of Company Secretary & Director of Corporate Affairs, General Counsel & Director of Compliance, Chief Technology Officer, Director of Data & Innovation, Chief Operating Officer, MD HESA Statutory Services & MD HESA Enterprise.

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**9. Intangible fixed assets**

<b>Group and Company</b>	<b>Computer software 3yr amortisation £</b>	<b>Computer software 5yr amortisation £</b>	<b>Computer Software 10yr amortisation £</b>	<b>Total £</b>
<b>Cost</b>				
At 1 August 2017	203,617	703,157	19,660	926,434
Additions	36,653	234,971	1,970,383	2,242,007
Disposals	(35,684)	-	-	(35,684)
Transfers	-	(209,801)	209,801	-
	<u>204,586</u>	<u>728,327</u>	<u>2,199,844</u>	<u>3,132,757</u>
At 31 July 2018				
<b>Amortisation</b>				
At 1 August 2017	157,177	140,666	9,032	306,875
Charge for the year	50,626	101,537	1,968	154,131
On disposals	(35,684)	-	-	(35,684)
	<u>172,119</u>	<u>242,203</u>	<u>11,000</u>	<u>425,322</u>
At 31 July 2018				
<b>Carrying amount</b>				
At 31 July 2018	<u>32,467</u>	<u>486,124</u>	<u>2,188,844</u>	<u>2,707,435</u>
<i>At 31 July 2017</i>	<u>46,440</u>	<u>562,491</u>	<u>10,628</u>	<u>619,559</u>

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**10. Tangible fixed assets**

<b>Group and Company</b>	<b>Short-term leasehold improvements £</b>	<b>Office equipment and furniture £</b>	<b>Office technology £</b>	<b>Total £</b>
<b>Cost</b>				
At 1 August 2017	602,166	237,291	915,302	1,754,759
Additions	-	-	93,697	93,697
Disposals	-	(732)	(5,081)	(5,813)
	<u>602,166</u>	<u>236,559</u>	<u>1,003,918</u>	<u>1,842,643</u>
At 31 July 2018	602,166	236,559	1,003,918	1,842,643
<b>Depreciation</b>				
At 1 August 2017	467,943	175,019	705,556	1,348,518
Charge for the year	22,624	23,927	149,909	196,460
On disposals	-	(732)	(5,081)	(5,813)
	<u>490,567</u>	<u>198,214</u>	<u>850,384</u>	<u>1,539,165</u>
At 31 July 2018	490,567	198,214	850,384	1,539,165
<b>Net book value</b>				
At 31 July 2018	<u>111,599</u>	<u>38,345</u>	<u>153,534</u>	<u>303,478</u>
<i>At 31 July 2017</i>	<u>134,223</u>	<u>62,272</u>	<u>209,746</u>	<u>406,241</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

<b>Group and Company</b>	<b>2018 £</b>	<b>2017 £</b>
Office equipment and furniture	<u>3,271</u>	<u>5,337</u>

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**11. Pensions**

**(i) UNIVERSITIES SUPERANNUATION SCHEME**

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

**Critical accounting judgements**

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 a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as that provided by USS. The accounting for a multi-employer scheme, where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit, results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in the Statement of Financial Activities. The directors are satisfied that the scheme provided by USS meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The Agency is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the Agency's employees.

At 31 July 2018 HESA had 39 active members participating in the scheme. The total cost charged to the income and expenditure account is £412,637 (2017: £389,034).

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway but not yet completed.

Since the institution cannot identify its share of Retirement Income Builder Section of the Scheme assets and liabilities, the following disclosures reflect those relevant for the section as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the Scheme was £41.6 billion and the value of the Scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. These figures will be revised once the 2017 Scheme Valuation is complete.

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

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

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

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

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:

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

**Existing benefits**

Scheme assets	£63.6bn	£63.0bn
Total Scheme liabilities	£72.0bn	£77.5bn
FRS 102 total Scheme deficit	£8.4bn	£17.5bn
FRS 102 total funding level	88%	77%

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**ii) SUPERANNUATION OF THE UNIVERSITY OF LONDON**

The Agency participates in a Superannuation Arrangements of the University of London ("SAUL") which is centralised defined benefit scheme within the United Kingdom.

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 Section closed from 31<sup>st</sup> March 2016 and all Members are currently building up benefits on a CARE basis with effect from 1<sup>st</sup> April 2016.

The Agency 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 within 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.

**Funding Policy**

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 Members' 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 have been reviewed at SAUL's 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<sup>st</sup> April 2016 and 31 March 2018 (inclusive). The overall level of the Employers' contributions increased from 13% of Salaries to 16% of Salaries with effect from 1<sup>st</sup> April 2016.

The total cost of pension contributions for the Agency in the year ended 31 July 2018 was £376,774 (2017: £333,787). There were 82 (2017 : 77) active members participating in the scheme.

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**12. Debtors**

	Group		Company	
	2018 £	2017 £	2018 £	2017 £
Trade debtors	278,927	332,703	69,553	110,832
Amounts owed by group undertakings	-	-	501,804	493,931
Other debtors	64,457	3,485	64,457	3,485
Prepayments	459,371	247,271	439,602	245,089
	<b>802,755</b>	<b>583,459</b>	<b>1,075,416</b>	<b>853,337</b>
	<b>802,755</b>	<b>583,459</b>	<b>1,075,416</b>	<b>853,337</b>

**13. Creditors: Amounts falling due within one year**

	Group		Company	
	2018 £	2017 £	2018 £	2017 £
Net obligations under finance leases and hire purchase contracts	2,348	2,226	2,348	2,226
Trade creditors	284,447	157,953	275,425	152,390
Other taxation and social security	51,747	198,024	-	126,443
Other creditors	1,203	-	1,203	-
Pension provision	33,995	68,342	33,995	68,342
Lease rent incentive	22,513	22,513	22,513	22,513
Subscriptions paid in advance	-	21,687	-	21,687
Accruals and deferred income	1,338,432	1,274,518	1,298,933	1,211,312
Deferred capital grant	31,487	35,308	31,487	35,308
	<b>1,766,172</b>	<b>1,780,571</b>	<b>1,665,904</b>	<b>1,640,221</b>
	<b>1,766,172</b>	<b>1,780,571</b>	<b>1,665,904</b>	<b>1,640,221</b>

	Group		Company	
	£	£	£	£
<b>Deferred income</b>				
Deferred income at 1 August 2017	538,533	100,517	479,444	68,110
Resources deferred during the year	2,822,937	2,636,281	2,358,616	2,135,220
Amounts released from previous years	(3,054,958)	(2,198,265)	(2,566,582)	(1,723,886)
Deferred income at 31 July 2018	<b>306,512</b>	<b>538,533</b>	<b>271,478</b>	<b>479,444</b>
	<b>306,512</b>	<b>538,533</b>	<b>271,478</b>	<b>479,444</b>

Income has been deferred as it relates to activities and services which will be delivered in future accounting periods, and therefore the agency is not entitled to the funds at the year end.

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**14. Creditors: Amounts falling due after more than one year**

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Net obligations under finance leases	909	3,193	909	3,193
Lease rent incentive	127,500	150,007	127,500	150,007
Deferred capital grant	20,827	42,910	20,827	42,910
	149,236	196,110	149,236	196,110

Obligations under finance leases and hire purchase contracts, included above, are payable as follows:

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Between one and five years	909	3,193	909	3,193

**15. Financial instruments of the Group**

	2018	2017
	£	£
Financial assets measured at amortised cost	3,166,496	3,750,299
Financial liabilities measured at amortised cost	(1,354,822)	(967,699)

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

Financial liabilities measured at amortised cost comprise trade and other creditors, pension contributions due, obligations under finance leases and accruals.

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**16. Provisions**

<b>Group and Company</b>	<b>Reinstatement of 95 promenade £</b>	<b>Pension provision £</b>	<b>Total £</b>
At 1 August 2017	248,000	605,555	853,555
USS	-	(43,408)	(43,408)
	<u>248,000</u>	<u>562,147</u>	<u>810,147</u>
At 31 July 2018	<u>248,000</u>	<u>562,147</u>	<u>810,147</u>

**Reinstatement of 95 promenade**

Under the Leases the Agency is required on termination to reinstate the premises to their original layout and condition; if required to do so by the landlord. The estimated cost of this, including fees, is £248,000 and this has been provided for in full. The Leases are secure tenancies both of which terminate in 2025 with options to break in 2021 (subject to providing the landlord with 9 months' notice).

**Pension provision**

Under FRS 102 the Agency is required to estimate its own liability to make good its share of the deficit in both pension schemes. Assumptions have been made that the USS deficit will be recovered by 2031.

**The movement in the pension provision in the year is shown below:**

	<b>2018 £</b>	<b>2017 £</b>
At 1 August 2017	673,897	581,214
Charged to the Statement of Financial Activities: Deficit contributions payable in the year	(84,776)	(105,572)
Change in expected contributions	(9,357)	180,856
Unwinding of discount	16,378	17,399
	<u>596,142</u>	<u>673,897</u>
At 31 July 2018	<u>596,142</u>	<u>673,897</u>

  

	<b>2018 £</b>	<b>2017 £</b>
Pension provision due within one year	33,995	68,342
Pension provision due in more than one year	562,147	605,555
	<u>596,142</u>	<u>673,897</u>
Total	<u>596,142</u>	<u>673,897</u>

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**17. Statement of funds**

**Statement of funds - current year**

	Balance at 1 August 2017 £	Income £	Expenditure £	Transfers in/out £	Balance at 31 July 2018 £
<b>Designated funds</b>					
Data Futures CRM system	-	-	-	1,970,383	1,970,383
Designated accommodation fund	650,000	-	-	-	650,000
	<u>650,000</u>	<u>-</u>	<u>-</u>	<u>1,970,383</u>	<u>2,620,383</u>
<b>General funds</b>					
General Fund	2,217,031	7,678,099	(7,666,801)	(341,345)	1,886,984
Pension liability	(673,897)	-	77,755	-	(596,142)
	<u>1,543,134</u>	<u>7,678,099</u>	<u>(7,589,046)</u>	<u>(341,345)</u>	<u>1,290,842</u>
Total Unrestricted funds	<u>2,193,134</u>	<u>7,678,099</u>	<u>(7,589,046)</u>	<u>1,629,038</u>	<u>3,911,225</u>
<b>Restricted funds</b>					
Data Futures	-	1,966,069	(60,093)	(1,905,976)	-
Graduate Outcomes	-	99,141	(376,079)	276,938	-
	<u>-</u>	<u>2,065,210</u>	<u>(436,172)</u>	<u>(1,629,038)</u>	<u>-</u>
Total of funds	<u>2,193,134</u>	<u>9,743,309</u>	<u>(8,025,218)</u>	<u>-</u>	<u>3,911,225</u>

An amount of £650,000 has been put aside in a Designated Accommodation Fund in recognition of the future need of the agency to re-establish itself in alternative office accommodation at the termination of its lease for the existing office accommodation. This estimate is reviewed annually.

During the year HESA continued the development of its Data Futures collection platform. Costs associated with the development of this asset have been capitalised during the year. At the same time associated grant income that has been spent on the asset has been recognised as earned during the year within unrestricted funds as required under the Charity SORP. The asset is due for completion in 2020 at which point the capitalised value will commence amortisation.

The graduate outcomes restricted income relates to grant funding received from IFF to fund the Cognitive Testing of the questions for the Graduate Outcomes project.

The transfer of restricted funds relates to the fulfilment of the restricted Data Futures capital project.

The balance not externally funded for the Data Futures and Graduate Outcomes projects has been transferred from the general fund, recognising the agency's contribution to these projects.

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**17. Statement of funds (continued)**

**Statement of funds - prior year**

	<i>Balance at 1 August 2016 £</i>	<i>Income £</i>	<i>Expenditure £</i>	<i>Transfers in/out £</i>	<i>Balance at 31 July 2017 £</i>
<b>Designated funds</b>					
Designated accommodation fund	650,000	-	-	-	650,000
<b>General funds</b>					
General Fund	2,724,001	6,571,397	(7,084,546)	6,179	2,217,031
Pension liability	(581,214)	-	(92,683)	-	(673,897)
	<u>2,142,787</u>	<u>6,571,397</u>	<u>(7,177,229)</u>	<u>6,179</u>	<u>1,543,134</u>
Total Unrestricted funds	<u>2,792,787</u>	<u>6,571,397</u>	<u>(7,177,229)</u>	<u>6,179</u>	<u>2,193,134</u>
<b>Restricted funds</b>					
Longitudinal DLHE	-	914,676	(914,676)	-	-
HESA-Jisc BI	-	37,310	(36,786)	(524)	-
Data Futures	-	1,663,951	(1,663,951)	-	-
Alternative Providers Collection	-	1,432	(1,360)	(72)	-
Welsh Further Education Initiatives	-	5,583	-	(5,583)	-
	<u>-</u>	<u>2,622,952</u>	<u>(2,616,773)</u>	<u>(6,179)</u>	<u>-</u>
Total of funds	<u>2,792,787</u>	<u>9,194,349</u>	<u>(9,794,002)</u>	<u>-</u>	<u>2,193,134</u>

**18. Analysis of net assets between funds**

**Analysis of net assets between funds - current year**

	<b>Restricted funds 2018 £</b>	<b>Unrestricted funds 2018 £</b>	<b>Total funds 2018 £</b>
Intangible fixed assets	-	2,707,435	2,707,435
Tangible fixed assets	-	303,478	303,478
Current assets	-	3,625,867	3,625,867
Creditors due within one year	-	(1,766,172)	(1,766,172)
Creditors due in more than one year	-	(149,236)	(149,236)
Provisions for liabilities and charges	-	(810,147)	(810,147)
	<u>-</u>	<u>3,911,225</u>	<u>3,911,225</u>

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**18. Analysis of net assets between funds (continued)**

**Analysis of net assets between funds - prior year**

	<i>Restricted funds 2017 £</i>	<i>Unrestricted funds 2017 £</i>	<i>Total funds 2017 £</i>
Intangible fixed assets	-	619,559	619,559
Tangible fixed assets	78,218	328,023	406,241
Current assets	-	3,997,570	3,997,570
Creditors due within one year	(35,308)	(1,745,263)	(1,780,571)
Creditors due in more than one year	(42,910)	(153,200)	(196,110)
Provisions for liabilities and charges	-	(853,555)	(853,555)
	<u>-</u>	<u>2,193,134</u>	<u>2,193,134</u>

**19. Reconciliation of net movement in funds to net cash flow from operating activities**

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	£	£
Net income/(expenditure) for the year (as per Statement of Financial Activities)	<b>1,718,091</b>	(599,653)
<b>Adjustment for:</b>		
Depreciation charges	<b>196,460</b>	190,616
Interest from investments	<b>(4,559)</b>	(13,548)
Loss/(profit) on the sale of fixed assets	<b>29,153</b>	(358)
(Increase)/decrease in debtors	<b>(221,458)</b>	240,938
(Decrease)/increase in creditors	<b>(59,111)</b>	908,867
Amortisation	<b>124,978</b>	86,030
Increase in provisions	<b>(43,408)</b>	120,956
<b>Net cash provided by operating activities</b>	<b><u>1,740,146</u></b>	<u>933,848</u>

**20. Analysis of cash and cash equivalents**

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	£	£
Cash in hand	<b>2,823,112</b>	3,414,111
Total	<b><u>2,823,112</u></b>	<u>3,414,111</u>

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**21. Operating lease commitments**

At 31 July 2018 the total of the group's future minimum lease payments under non-cancellable operating leases was:

<b>Group and Company</b>	<b>2018</b>	<i>2017</i>
	£	£
<b>Amounts payable:</b>		
Within 1 year	<b>198,725</b>	<i>198,725</i>
Between 1 and 5 years	<b>794,900</b>	<i>794,900</i>
After more than 5 years	<b>331,208</b>	<i>529,933</i>
Total	<b><u>1,324,833</u></b>	<i><u>1,523,558</u></i>

**22. Pension liability provision**

	<b>2018</b>	<i>2017</i>
	£	£
Employer contributions paid in the year	<b>789,411</b>	<i>722,821</i>
Deficit contributions paid in the year	<b>(84,776)</b>	<i>(105,572)</i>
Change in expected future deficit contributions	<b>(9,357)</b>	<i>180,857</i>
Unwinding of discount	<b>16,378</b>	<i>17,399</i>
Capitalisation of Data Futures pension costs	<b>(89,277)</b>	<i>-</i>
Capitalisation of Graduate Outcomes pension costs	<b>(3,840)</b>	<i>-</i>
Total pension cost charged to the Statement of Financial Activities	<b><u>618,539</u></b>	<i><u>815,505</u></i>

**23. Related party transactions**

As stated in Note 24 the Agency has a connected trading subsidiary, HESA Services Limited. The address of HESA Services Limited's registered office and principal place of business is 95 Promenade, Cheltenham, Gloucestershire, GL50 1HZ. In 2018 the following transactions took place between the Agency and its wholly owned subsidiary HESA Services Limited:

Allocation of staff time and overheads calculated mainly on a full time equivalent basis or based on income and charged as a management charge of £1,239,782 (2017: £694,328).

The transfer under gift aid of the trading profits of HESA Services Limited to the Agency of £157,064 (2017: £469,342).

The total amount owed by HESA Services Limited to HESA at 31 July 2017 was £501,804 (2017: £493,931).

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**24. Principal subsidiary**

**HESA Services Limited**

Subsidiary name	HESA Services Limited
Company registration number	03109219
Basis of control	Ownership
Equity shareholding %	100%
Total assets as at 31 July 2018	£ 602,073
Total liabilities as at 31 July 2018	£ (602,072)
Total equity as at 31 July 2018	£ 1
Turnover for the year ended 31 July 2018	£ 1,578,960
Expenditure for the year ended 31 July 2018	£ (1,578,960)
Result for the year ended 31 July 2018	£ -

**25. Prior year Statement of Financial Activities**

	Unrestricted funds £	Restricted funds £	2017 £
<b>Income from:</b>			
Charitable activities	5,179,739	2,622,952	7,802,691
Other trading activities	1,378,110	-	1,378,110
Investments	13,548	-	13,548
<b>Total</b>	<u>6,571,397</u>	<u>2,622,952</u>	<u>9,194,349</u>
<b>Expenditure on:</b>			
Raising funds - trading activities	(908,768)	-	(908,768)
Charitable activities - provision of statistical service	<u>(6,268,461)</u>	<u>(2,616,773)</u>	<u>(8,885,234)</u>
<b>Total</b>	<u>(7,177,229)</u>	<u>(2,616,773)</u>	<u>(9,794,002)</u>
Sub total	(605,832)	6,179	(599,653)
<b>Sub-Header</b>			
Transfers between funds	6,179	(6,179)	-
<b>Net movement in funds</b>	<u>(599,653)</u>	<u>-</u>	<u>(599,653)</u>
<b>Total funds brought forward 2016</b>	<u>2,792,787</u>	<u>-</u>	<u>2,792,787</u>
<b>Total funds carried forward 2017</b>	<u>2,193,134</u>	<u>-</u>	<u>2,193,134</u>