

**Office for Fair Access**  
**Annual report and accounts**  
**2017-18**

HC 1189



# **Office for Fair Access Annual report and accounts 2017-18**

Presented to Parliament pursuant to schedule 5 paragraphs 7 (3) and 8 (2) of the Higher Education Act 2004

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# Performance report

## Overview

The overview section provides information on the purpose and activities of OFFA. It provides an overview of the key issues and risks to the achievement of OFFA's objectives, and a performance summary describing how OFFA has performed against the OFFA's objectives during the year.

The Higher Education and Research Act 2017 sets out the Government's policy to promote equality of opportunity in connection with access to and participation in higher education in England through a new non-departmental government body, the Office for Students. OFFA has made significant contributions towards preparing for change in the new body.

As Chief Executive of the Office for Students, to which the functions of OFFA transferred on 1 April 2018, I have now taken responsibility for this Annual Report and accounts. In OFFA's final year of operations Government provided increasing resource for the delivery of the most recent ministerial guidance to the Director of Fair Access in 2016 in line with OFFA's business plan. Further details are provided in the Performance Analysis section.

## Who we are

OFFA was the independent regulator of fair access to higher education in England. OFFA took a 'whole student lifecycle' approach which recognised that, for fair access to be meaningful, students must be supported to fulfil their potential, successfully completing their studies and being prepared for what they choose to do next.

OFFA was a non-departmental public body, set up in 2004, and its role was to promote and safeguard fair access to higher education for people from under-represented and disadvantaged groups. OFFA supported the Director of Fair Access to Higher Education, a statutory appointment made by the sponsor department the Department for Education (DfE).

## Our remit and history

OFFA was created under the Higher Education Act 2004 to ensure that higher education providers fulfil the obligation, placed on them by Parliament, to invest a proportion of their income from variable tuition fees in improving access for students from under-represented groups. This obligation was a condition of being allowed to charge fees above a set level.

Since OFFA was formed, Ministerial guidance clarified and developed its remit. Ministerial guidance to the Director of Fair Access to Higher Education ('the Director') in 2011 set out that its priorities should be to increase social mobility, extending fair access to higher education and employment, and attract a higher proportion of students from under-represented groups, particularly those most able but least likely to apply. This Ministerial guidance included significantly increased expectations about

the priority that institutions should be giving to fair access and widening participation, focusing more sharply on the outcomes of outreach and other activities, and less on the inputs and processes. In particular, the Government expressed the view that progress in securing fair access to the universities with the highest overall entry requirements had been inadequate, and that more determined action was required. The Director's last Ministerial guidance was published in February 2016, reflecting the government's ambitions for the future, in particular the goal of doubling the proportion of young people from disadvantaged backgrounds entering higher education in the lifetime of the current Parliament and a commitment to Social Mobility.

## **Our Business**

The main means of OFFA's regulation has been through Access Agreements with universities and colleges, as a powerful lever for change across the student lifecycle. Access agreements are documents in which institutions have set out their fees and how they intend to sustain and improve the diversity of their applicants and support students as they study and prepare to progress after graduation. All publicly funded universities and colleges wishing to charge higher tuition fees were required until 2018 to have an access agreement approved by the Director.

OFFA supported the development of Access Agreements by issuing clear guidance, identifying and disseminating good practice, and engaging in ongoing dialogue with universities and colleges. The Director then assessed and approved and monitored those agreements, which are now subject to ongoing monitoring by the Office for Students.

OFFA also raised issues relating to fair access with the Government and the higher education sector as a whole, championing success and identifying those areas where progress needed to be made. Higher education providers and other organisations shared or contributed to these objectives and OFFA worked closely with a wide range of partners across the sector as effectively as possible to maximise their impact.

The *Strategic Plan 2015-2020* (OFFA publication 2015/02) contained more detail about how OFFA has fulfilled its remit and set out key performance indicators (KPIs), against which OFFA has reported in this annual report and accounts. They include five outcomes indicators that set out OFFA's objectives for the higher education sector, and a further nine policy and corporate output objectives. Many of these objectives are being carried forward in the work of the Office for Students.

## **Business Impact Target**

It was the Director's statutory obligation, under the Small Business Enterprise and Employment Act 2015 and Enterprise Act 2016, to publish a list of the qualifying as well as non-qualifying regulatory provisions (NQRPs) that have (or are expected to) come into force during the most recent reporting period. OFFA's provisions in the first reporting period, as validated by the Regulatory Policy Committee are exclusively non-qualifying. We published the list on OFFA's website.

The second report covers the period 20 June 2017 to 31 March 2018, the date on which OFFA closed. There are no changes to the list of OFFA's NQRPs. As OFFA's website is now archived we have chosen to publish our Business Impact Target report in this Annual Report and Accounts.

Excluded Category	Summary of measures
De minimis measures with an Equivalent Annual Net Direct Cost to Business (EANDCB) below +/- £5 million	<p>OFFA addressed a number of new Access Agreement breaches.</p> <p>OFFA communicates evidence through topic briefings on its website and other routes identified through its stakeholder engagement plan. OFFA also devised new means to communicate effectively with stakeholders.</p> <p>OFFA enlarged its Access Agreement Reference Group and revised its terms of reference to provide an opportunity for the schools and universities it regulates to make an input into how Offa operates. During the reporting period, the group has advised Offa on the 2016-17 monitoring process and how OFFA should contribute the development of the Office for Students (OfS) guidance for Access and Participation plans.</p> <p>Following sector consultation, since 2015 OFFA added to a list of higher education providers for which it has identified minor breaches of Access Agreements.</p> <p>In order to improve regulatory practices and to extend its remit in line with new ministerial guidance, OFFA altered its management structure to increase the membership of its senior management team and its overall staff headcount, and created a Director's group for Executive decision making.</p> <p>The Office of the Director came to an end on 31<sup>st</sup> March 2018.</p>

## Growth Duty

Under Section 8 of the Deregulation Act 2015, OFFA was in scope for the implementation of the Growth Duty. The Growth Duty is a statutory requirement for those organisations who exercise non-economic regulatory functions to have regard to the desirability of growth as part of regulatory decision making and purpose. The Growth Duty underpins the Regulators' Code, the application of sanctions by the Director under the Higher Education Act 2004, OFFA's accountability for regulatory impact and the institutional appeals process. OFFA demonstrated its regard for the Growth Duty through:

- its strategic aims and the objectives of the organisation
- training and objectives of frontline regulatory staff
- its leadership objectives
- its operational policy frameworks and procedures
- its record keeping, in line with existing procedures



- the advice it gave institutions on the development of Access Agreements.

Clause 16 of the Enterprise Act 2016 requires regulators in scope to publish annual performance reports as to the effect of the performance of the Growth Duty on the way the regulator exercises its relevant functions.

OFFA's strategic plan set out its approach to regulating institutions, stating that "we will deliver our aims through our ability to understand ....the approaches that universities and colleges take to their work on access, student success and progression, according to the circumstances of their particular institution", we "challenge using an evidence based approach" championing by disseminating "evidence of success and best practice, so informing practice, policy and investment decisions". The two principal strategic aims of the Director were set out in the strategic plan and in OFFA's sector outcome key performance objectives. Through this approach OFFA demonstrated its understanding of the business environment both across the higher education sector and in individual institutions, and in working with institutions, it endeavoured to understand the likely impact of implementing fair access and widening participation measures on their educational objectives.

OFFA's annual assessment of institutions' Access Agreements was underpinned by the learning plans and objectives of regulatory staff and an operational framework of policies and procedures guided by best practice in the Regulators' Code. OFFA engaged with individual institutions to provide tailored guidance in the preparation of new Access Agreements. During the process it prioritised case work, where it involves engagement with institutions, on criteria which were regularly reviewed. This enabled a risk-based proportionate approach to OFFA's regulatory activity. In developing new policy OFFA gave regard to letters of guidance from the Minister of State for Universities, Science, Research and Innovation. It was also guided in this through informal engagement by the Director with senior managers and groups representing higher education, by its work with an Access Agreement reference group and by the outcomes of any consultation were published prior to adopting a new regulatory provision.

### **Resource budget**

The annual resource budget was based on the Director's requirements as agreed with Government. The allocation was in turn calculated within an indicative allocation limit, subject to departmental spending plans voted by HM Treasury. On the basis of long range forecasting, and the risk and opportunity analysis that formed part of the quarterly budget review process, the allocation was then subject to revision. In the past five years, OFFA's resource budget met the Director's needs in the delivery of his statutory duties and additional guidance.

### **Grant-in-aid**

Grant-in-aid was the only source of funding to OFFA. The Director received grant-in-aid from the Secretary of State for Education in accordance with Schedule 5 (section 8) of the Higher Education Act 2004, as set out in Section 4 of the framework document (2013) between the sponsor department and OFFA. In line with other non-departmental public bodies, OFFA regarded income from DfE's resource Departmental Expenditure Limit as from a controlling party, giving rise to a financial interest

and it therefore accounts for it as financing by crediting it to the income and expenditure reserve. For this reason, net income from grant-in-aid is taken to the Statement of Changes in Taxpayers' Equity rather than shown as revenue in the Statement of Comprehensive Net Expenditure.

### Going concern assessment

OFFA's sponsor government department, DfE, put arrangements in place for the orderly winding up of OFFA on 31<sup>st</sup> March 2018. The Director's assessment of going concern for 2017-18 took into account the closure of OFFA on that date following which its staff, assets and liabilities would be transferred under legislation to another organisation. As set out in the higher education and Research Act 2017, a new non-departmental public body, the Office for Students embodies new statutory functions relating to OFFA's functions as regulator of fair access to Higher Education. A new funding model for the Office for Students is the subject of consultation but in the meantime government has committed funds for the continuation of operations for the coming financial year. Under these circumstances, OFFA must determine whether this affects its ability to record its current assets and liabilities on the basis that OFFA will be able to realise its assets and discharge its liabilities in the normal course of business. The Director's opinion is that a going concern assumption is appropriate. The basis of going concern is addressed in note 1 to the financial statements.

### Financial data

OFFA's annual grant-in-aid, expenditure against resource budget, and year-end cash balances are shown in the table below. OFFA's budgets for expenditure and cash flow are based on the principle that the Director did not spend his grant-in-aid allocation in advance of need. OFFA maintained cash balances in-year and at year-end, against working capital guidelines.

In the four years to 2017-18, OFFA's administration budget increased significantly, although expenditure remained very low for a public body at just under £2.4 million in 2017-18. Trends in expenditure over the last five years reflect the allocation of additional resource to the Director, permitting the recruitment of additional staff. This enabled OFFA to manage a 41 per cent increase in the number of institutions submitting Access Agreements, to implement its new strategic plan and to improve internal governance. In 2017-18, OFFA's budget and expenditure increased by more than 20 per cent compared to 2016-17 as the Director committed further resource to addressing his statutory duties and the Ministerial guidance business case. In 2017-18 non-pay expenditure on research and development received separate allocations from programme funds, both within OFFA's budget and from the DfE Higher Education Research and Analysis budget through agreed in-year collaboration.

<i>Financial year</i>	<i>2014-15</i> <i>(£,000)</i>	<i>2015-16</i> <i>(£,000)</i>	<i>2016-17</i> <i>(£,000)</i>	<i>2017-18</i> <i>(£,000)</i>
Grant-in-aid	1,630	1,653	1,95	2,380
Actual expenditure	1,603	1,622	1,92	2,356
Year-end cash balance	31	121	164	190
Taxpayers' equity	(42)	(10)	21	45

## **Corruption and anti-bribery**

OFFA followed its own policy on fraud monitoring and prevention and, through the provision of Financial services for processing transactions and maintaining the General Ledger, internal controls and general assurance under an annually reviewed service level agreement with the Higher Education Funding Council for England (HEFCE), OFFA followed HEFCE's policy on the Prevention of Bribery, Fraud and other improper conduct.

## **Sustainability**

Through the service level agreement with HEFCE the Director's staff received office accommodation, infrastructure, finance and human resources services. For this reason, and because of OFFA's small size, it was more appropriate for OFFA to adhere to HEFCE's corporate social responsibility policy rather than developing its own. HEFCE has published data on carbon emissions, utilities consumption and expenditure, waste disposal to landfill, recycled paper, and biodiversity action planning in its annual report (see HEFCE Annual Report and Accounts 2017-18, pages 30-33).

## **Performance analysis**

This section sets out the progress made towards the objectives contained in OFFA's Strategic Plan.

The sector outcome objectives measure progress against OFFA's aims have taken a broad view of disadvantage, taking into account disabled students, care leavers, students from different ethnic groups, and other under-represented groups, plus the greater prevalence of these characteristics among mature students and students who study part-time. They reflect OFFA's primary regulatory purpose to safeguard and promote fair access. OFFA has also sought equality of outcomes for students from disadvantaged backgrounds throughout their studies and as they prepare to progress to employment or postgraduate study.

The rest of OFFA's objectives concern how its work has contributed to achieving the sector outcome objectives over the past year.

## **Risks**

The principal risks which faced OFFA are set out in the governance statement (see page 22). As a public body OFFA was subject to uncertainties relating to the possibility of Government changes to higher education funding or tuition fees, new Ministerial guidance, or new legislation. OFFA's strategic risks were based on each of the KPIs set out in the Strategic Plan.

## **Sector outcome objectives**

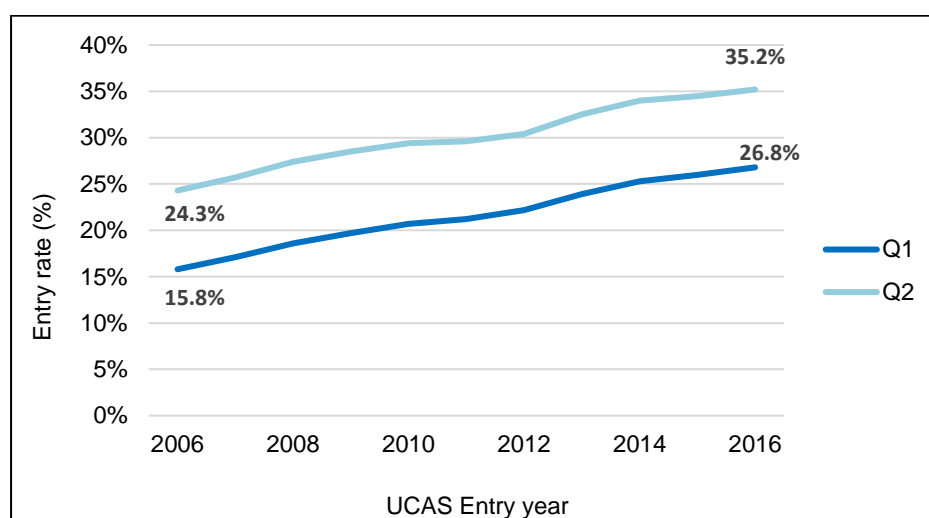
In these objectives reference is made to POLAR3, which refers to participation of local areas (POLAR) classification groups areas across the UK based on the proportion of the young population that participates in higher education (HE). The POLAR3 classification, released in 2013, looks at how likely young people are to participate in HE across the UK and shows how this varies by area.

**To make faster progress to increase the participation rate of higher education entrants from under-represented and disadvantaged groups, and narrow the participation gap between people from the most and least advantaged backgrounds**

Under the strategic plan, OFFA’s targets were that by 2019-20, 36 per cent of young people (18 and 19 year-olds) from POLAR3 quintiles 1 and 46 per cent from POLAR3 quintile 2 would enter higher education, and the ratio between quintile 5 and quintile 1 would be no more than 2:1.

Since 2006-07, there have been substantial and sustained increases in the proportions of young entrants from disadvantaged areas. As Figure 1 shows, from 2006 to 2016 the proportion of 18 and 19 year old entrants from the most disadvantaged areas (POLAR3 quintile 1) increased from 15.8 per cent to 26.8 per cent, a proportional increase of 70 per cent. Over the same ten year period, the entry rate from quintile 2 increased from 24.3 per cent to 35.2 per cent, a proportional increase of 45 per cent.

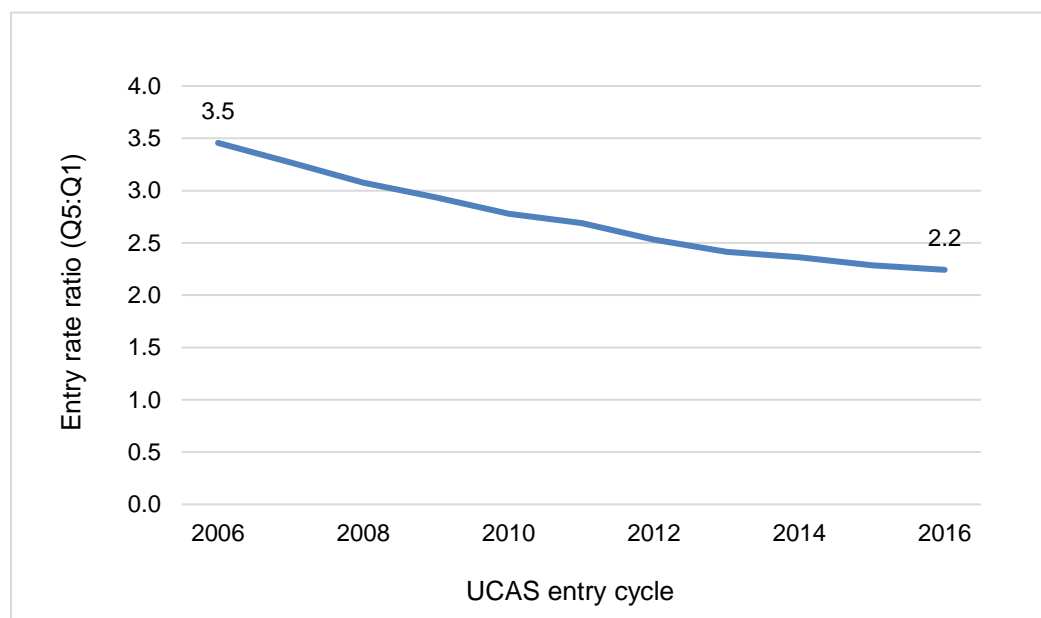
**Figure 1: Cohort entry rates (18 and 19 year olds) for disadvantaged areas (POLAR3 quintiles 1 and 2) in England**



Source: UCAS *End of cycle report 2017: UCAS analysis and research* (December 2017)

The gap in entry rate between POLAR3 quintile 5 (the most advantaged areas) and quintile 1 has reduced since 2006, and the current entry rate in most advantaged areas is 2.2 times more than that in the most disadvantaged areas (see Figure 2).

**Figure 2: Gap in cohort entry rate between the most disadvantaged (POLAR3 quintile 1) and most advantaged (POLAR3 quintile 5) 18-19 year olds, in England**



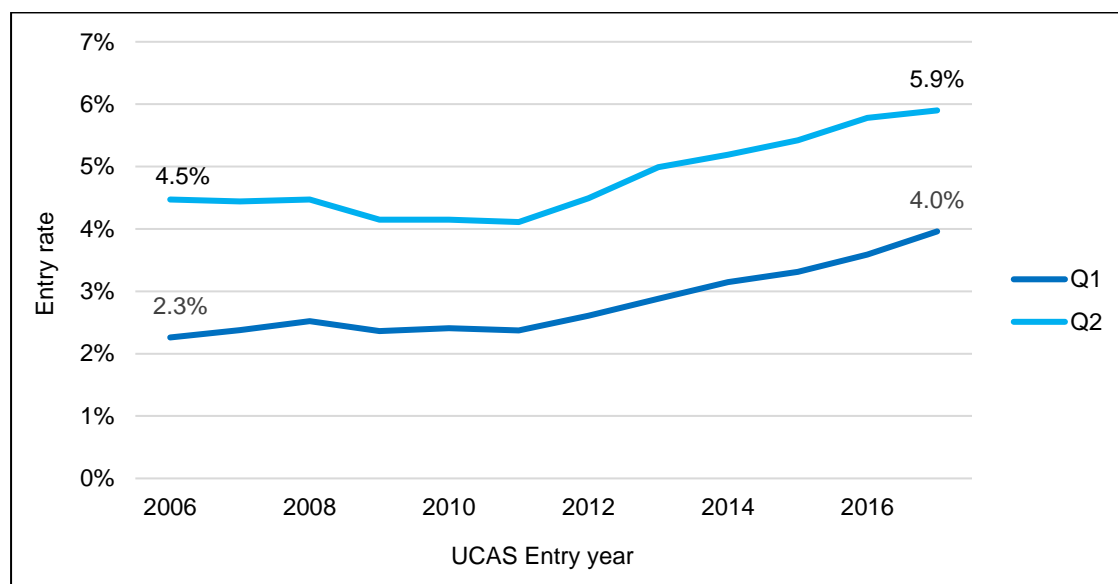
Source: UCAS *End of cycle report 2017: UCAS analysis and research* (December 2017)

**To make faster progress to increase the entry rate of students from under-represented and disadvantaged groups entering more selective institutions, and narrow the participation gap between people from the most and least advantaged backgrounds at such institutions**

Under the strategic plan, OFFA's target was to achieve, by 2019-20, 5 per cent of young people from POLAR3 quintile 1 and 7 per cent from POLAR3 quintile 2 entering higher tariff providers (that is, the universities with the highest overall entry requirements), and a ratio between quintile 5 and quintile 1 of 5:1.

The latest UCAS data shows that from 2006 to 2017, entry rates for 18 year-olds in higher tariff English higher education providers increased from 2.3 per cent to 4 per cent for POLAR3 quintile 1, and from 4.5 per cent to 5.9 per cent for quintile 2 (Figure 3). The current quintile 5 to quintile 1 ratio is 5.5:1, a slight decrease from the previous year (5.9:1). Despite these improvements, entry rates in higher tariff institutions continue to be much lower than the national average. While there have been significant improvements in this area since 2011, greater progress is needed in order to achieve the target.

**Figure 3: Entry rates for 18 year olds from disadvantaged areas (POLAR3 quintiles 1 and 2) in higher tariff institutions in England**



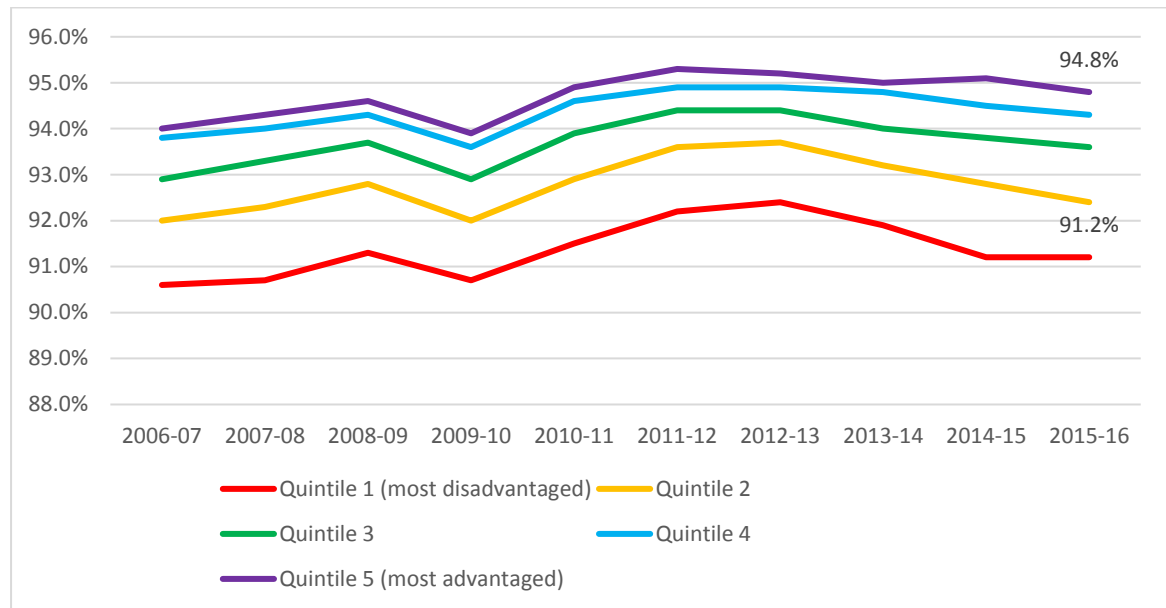
Source: UCAS\_End of cycle report 2017: UCAS analysis and research (December 2017)

**To improve continuation rates for students from under-represented and disadvantaged groups and narrow the gap in non-continuation rates between advantaged and disadvantaged students**

OFFA's target, revised in 2016, was that by 2019-20, 92.9 per cent of young entrants from POLAR3 quintile 1 are still in higher education after their first year (giving a non-continuation rate of 7.1 per cent). According to latest figures looking at full-time first degree entrants in 2015-16, 91.2 per cent of young entrants from POLAR3 quintile 1 were still in higher education after their first year (a non-continuation rate of 8.8 per cent). This continuation rate is the same as the previous year (see Figure 4).

The gap in non-continuation rates between advantaged and disadvantaged students narrowed by 0.3 percentage points in 2015-16.

**Figure 4: Proportion of young students continuing in higher education after one year, in England, by POLAR3**

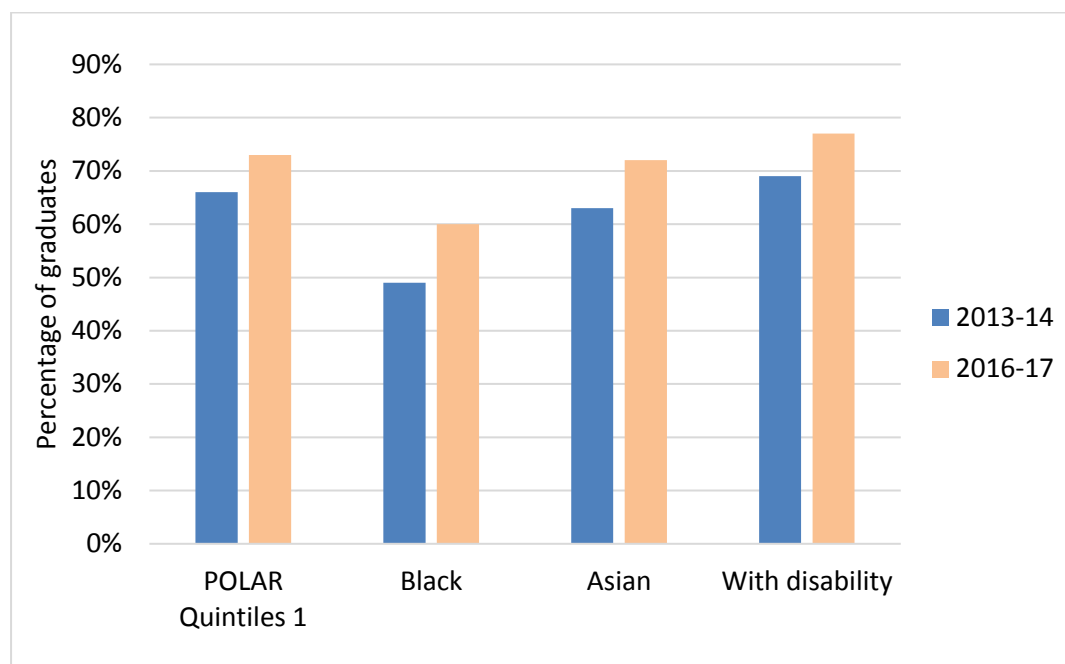


Source: HEFCE (HE in England)

**To improve the proportion of students from under-represented and disadvantaged groups achieving a good degree outcome (a first or upper second class degree) and narrow the gap in attainment between advantaged and disadvantaged students**

Degree outcomes for disadvantaged and under-represented groups improved in 2016-17, compared with 2013-14. There is a larger proportion of students from POLAR3 quintile 1 backgrounds, BME and those with a declared disability graduating with a first or upper second degree (Figure 5).

**Figure 5: Proportion of graduates achieving a First or 2:1 degree in 2013-14 and 2016-17 in England, by student characteristics**

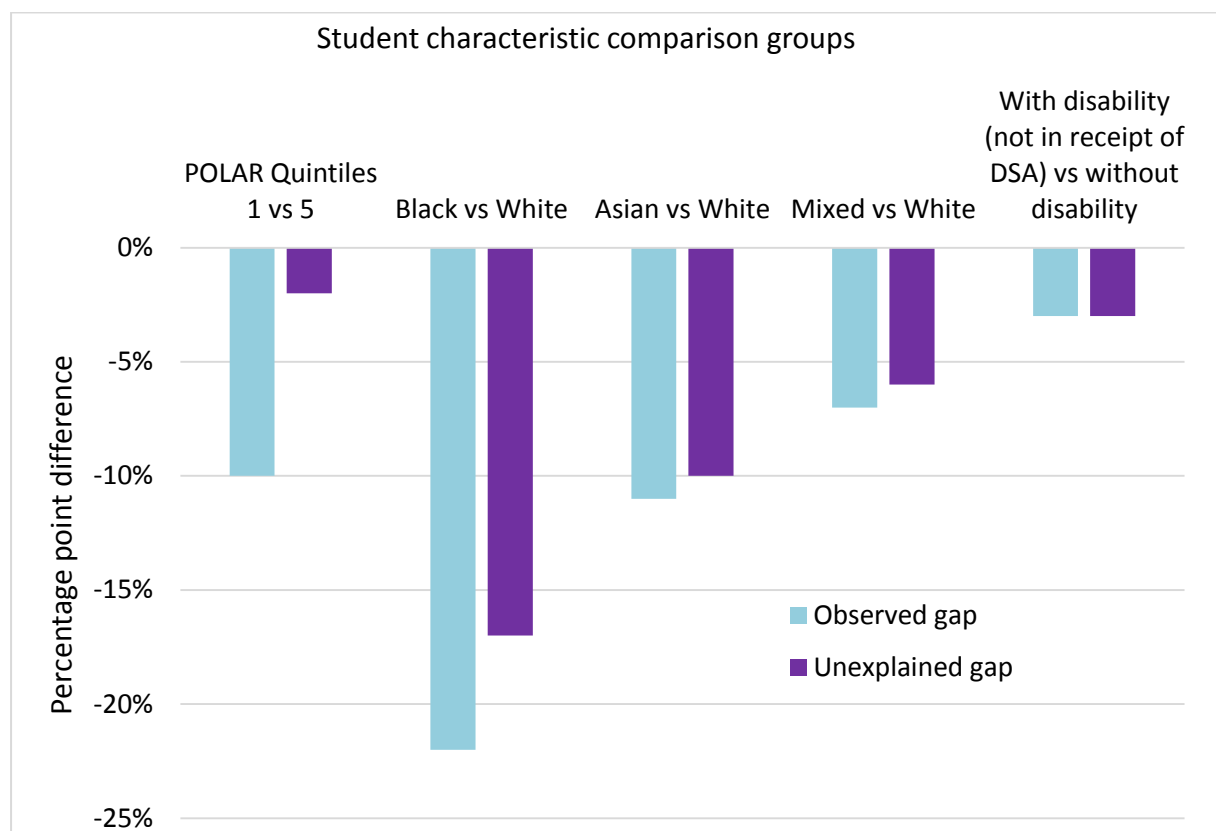


Source: HEFCE – Differences in student degree and employment outcomes

Despite this improvement there still exist unexplained gaps in degree outcomes between different groups (Figure 6). When adjusted for other student characteristics, course type and entry qualifications the gap in degree outcomes is largely reduced between POLAR3 Quintiles 1 and 5. The same is not true for some other characteristics, most importantly the Black group with an unexplained gap of 17 percentage points compared with the White group.



**Figure 6: Gap in degree outcomes among graduates of English providers, by student characteristics, 2016-17**

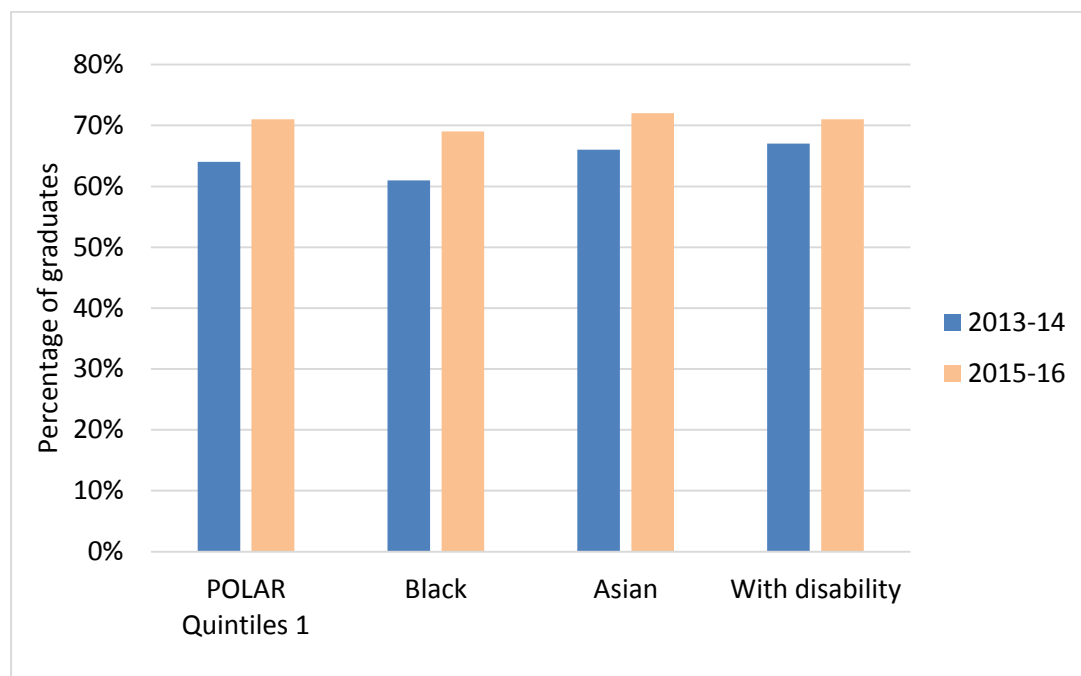


Source: HEFCE – Differences in student degree and employment outcomes

**To improve rates of progression into graduate-level employment or further study for students from under-represented and disadvantaged groups and narrow the gap in successful outcomes between advantaged and disadvantaged students**

In their latest Access Agreements for 2018-19, higher education institutions have set new targets for the outcomes of their activity which are stretching, evidence led and strategic. They are also increasingly focusing their Access Agreement investment on those stages of the student lifecycle where they require greatest improvement, in line with OFFA guidance. Institutions with a low proportion of students from under-represented backgrounds plan to spend more on access than in previous years, while those that already have high proportions of students from under-represented backgrounds have balanced their efforts more towards student success and progression. As a result, student success spend is now higher than access spend for the first time, and the proportion of higher fee income being spent on financial support has reduced. This is shown in Figure 7.

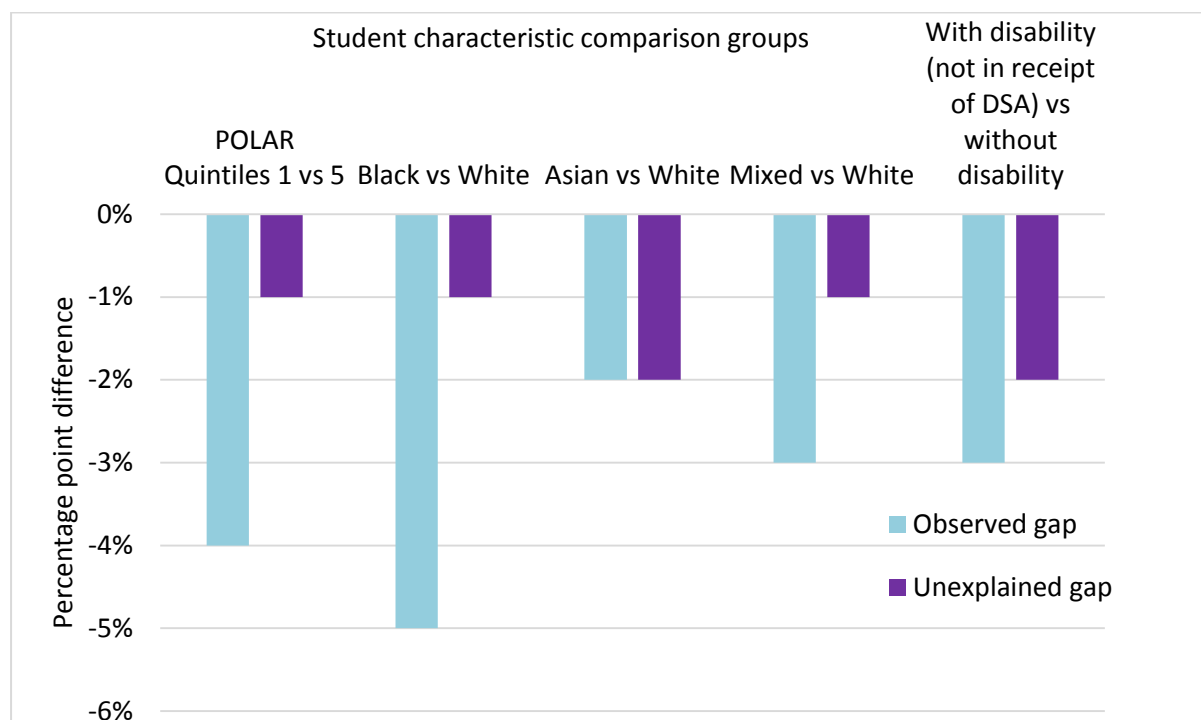
**Figure 7: Proportion of 2013-14 and 2015-16 graduates in employment or further study, 6 months after graduating from an English HEI, by student characteristics**



Source: HEFCE – Differences in student degree and employment outcomes

Employment gaps have improved for a number of under-represented groups in the last few years. The largest percentage point change can be seen among graduates of Black ethnic origin. While gaps in employment rates between advantaged and disadvantaged groups exist, a large proportion of these gaps are explained by degree classification and other student and course characteristics (Figure 8).

**Figure 8: Gap in employment outcomes among graduates of English providers, by student characteristics, 2015-16**



Source: HEFCE – Differences in student degree and employment outcomes

### How we contribute to the sector outcome objectives

**Influence strategy and practice – primarily through our guidance – to ensure that Access Agreement spend reflects the evidence base, and also reflects the performance of individual institutions in different areas of the student lifecycle**

In their latest Access Agreements for 2018-19, institutions have continued to set themselves stretching targets across the whole student lifecycle, supporting disadvantaged students to enter higher education, through their studies and then as they prepare for employment or postgraduate study. We have continued to see more institutions setting targets across the student success and progression stages of the student lifecycle. As well as all institutions setting targets around access to higher education, 95 per cent also set student success targets and almost three quarters (71 per cent) set targets related to progression.

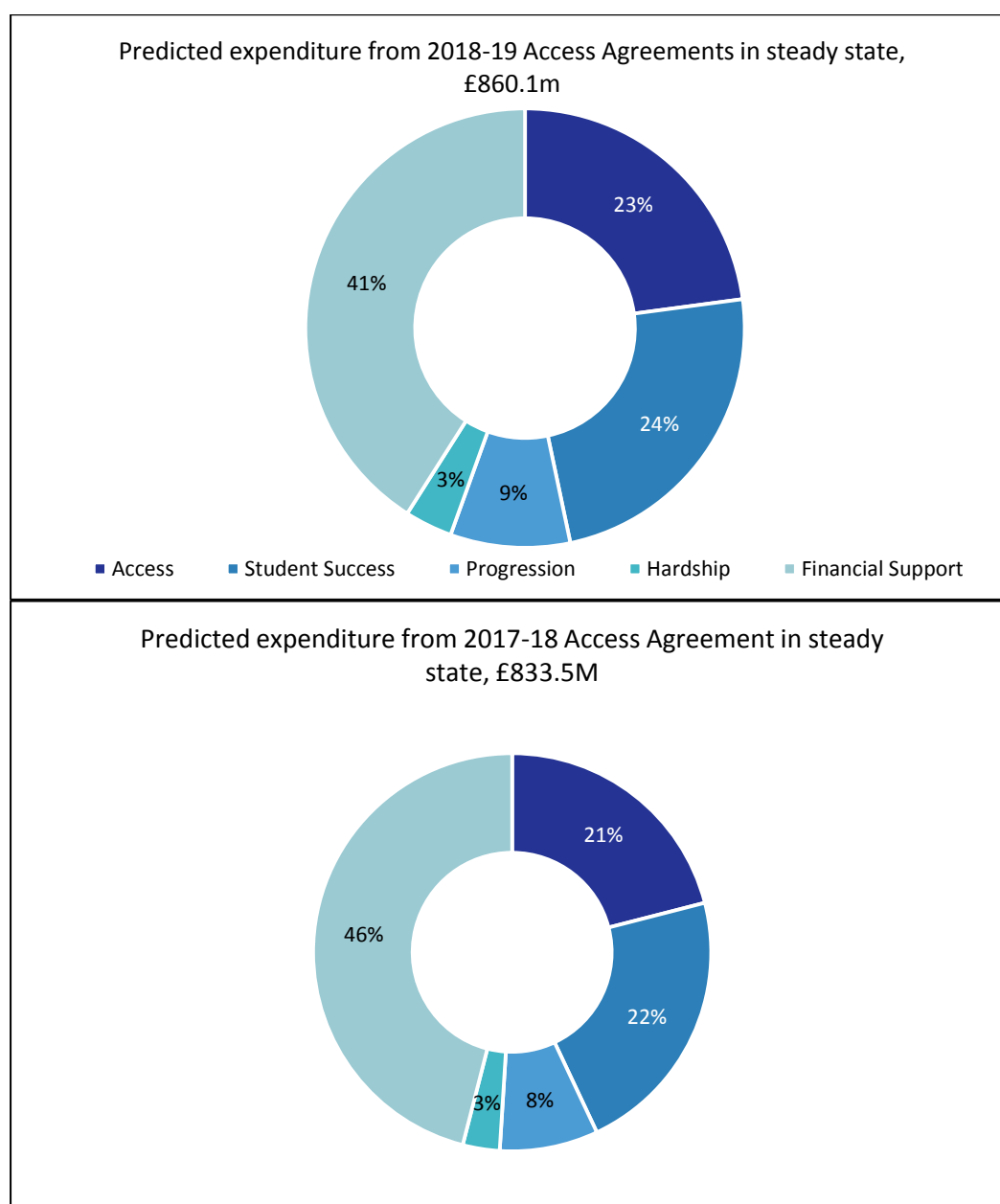
Institutions have also continued to rebalance expenditure across the student lifecycle to reflect their performance and focus on the areas where they most need to improve.

Institutions with lower proportions of underrepresented students have increased their investments most on access activities. These institutions plan to spend 7.6 per cent of higher fee income on access activity, up from 7.0 per cent under 2017-18 Access Agreements.

Meanwhile, institutions with higher proportions of under-represented students are also investing more in access activities, but have the greatest increases in expenditure focused towards student success and progression activities.

Overall institutions have strengthened their approaches to evaluation of financial support, and that for the first time, all institutions have made a commitment, where they are not already doing so, to carry out evaluation of their financial support using robust methods that consider outcomes for students

**Figure 9: Proportional breakdown of sector-wide Access Agreement expenditure (predicted) by type of activity according to 2017-18 and 2018-19 Access Agreements**



## **Commission, conduct and disseminate OFFA's in-house and commissioned research and research developed in collaboration**

Embedding evidence led practice was a key priority for OFFA in 2017-18. It continued to work collaboratively with the higher education sector, bringing together academic researchers and staff working in fair access, in order to better understand how research findings can influence policy decisions and widening participation practice. OFFA commissioned and completed nine separate projects, including one in collaboration with DfE. Projects included continued work on the evaluation of the impact of financial support and the evaluation of the impact of outreach activities, the whole institution approach to access and participation, targeting outreach to black and ethnic minority and outreach to pre-16 students. Expenditure on commissioned research was £161,501 in 2017-18 (£137,237 in 2016-17). OFFA's evidence and effective practice work – for example around financial support – directly supported providers to put together strategic, evidence led Access Agreements. OFFA highlighted the positive progress that has been made in young students' participation, as well as the continuing challenges in access for mature and part-time students, and the need for greater evidence, collaboration, and a focus across the whole student lifecycle.

## **Champion where progress is being made in improving access – and highlight where challenges remain**

OFFA continued to act as a high profile champion for fair access and participation issues. Its work in 2017-18 helped highlight the progress that has been made in the sector on fair access, while also recognising the significant challenges which remain. Its communications work, across a range of channels, helped ensure that fair access was an issue which remains high on the public and political agendas. OFFA worked closely with a range of organisations across the sector to help with this objective. During the year OFFA worked closely with Ministers and the DfE on issues around the development of the Office for Students (OfS) and the Parliamentary passage of the Higher Education and Research Act.

Access agreements have been OFFA's key lever for change, and its strategic Access Agreement guidance clearly set out its expectations to institutions. It used qualitative data analysis software to interrogate institutions' Access Agreements and monitoring returns. This gave a more in-depth understanding of institutional approaches to fair access and helped in the sharing of evidence and effective practice and the celebration of successful outcomes.

Topic briefings were an important instrument for OFFA in championing progress in institutions. Each briefing focuses on a different topic, bringing together evidence, good practice and resources to help universities and colleges develop smarter, more evidence led policy and practice. During 2017-18 OFFA published four topic briefings and updated research content in briefings published earlier. Topic briefings give an overview of what has been sought by OFFA in Access Agreements, provide examples of innovative and effective practice, and posing questions for universities and colleges when looking at how best to make progress in their own context and circumstances.

## **Produce robust and clear qualitative and quantitative data, and put in place processes to enable us to ensure the accuracy of the data that universities and colleges submit to us**

Producing robust data was essential in enabling OFFA to understand emerging trends in relation to access and student success.

A key aspect of this was to ensure that universities and colleges provided accurate data to us in their Access Agreements and their monitoring returns. OFFA worked closely with universities and colleges over the past year to improve the consistency of the data that they submit.

OFFA also worked with HESA and the Student Loans Company to strengthen the robustness of the data that institutions provide, and explored ways in which data from different sources can be brought together in order to reduce burdens on universities and colleges. This forms part of an ongoing project aimed at making increasing use of higher education data collected by various organisations. OFFA worked with these organisations not only to source the data for its own purposes, but to build a collective understanding of widening participation data within the sector.

OFFA continued to develop monitoring outcomes publications and Access Agreement decisions reports in order to focus more closely on the strategic priorities, and emerging themes and developments.

## **Working with HEFCE, we will make progress to deliver the national strategy for access and student success**

Over the past year, OFFA worked closely with HEFCE to align its work to support widening access and student success. For example, it worked to align work on evidence and effective practice, and to ensure that activity delivered through Access Agreements dovetailed closely with work funded through the National Collaborative Outreach Programme.

OFFA also continued to work closely with HEFCE on joint monitoring of Access Agreements and the Student Opportunity allocation, in order to reduce burdens on institutions, and deliver complementary reporting that can support both organisations, and the higher education sector more generally.

## **Meet best practice under the Regulators' Code**

OFFA operated under the Regulators' Code, the principal elements of which became statutory obligations under secondary legislation in the Small Business, Enterprise and Employment Act 2015 and the Enterprise Act 2016 during 2017-18. OFFA reported against the Business Impact target (BIT) for the first time in May 2017 and the second report for the period June 2017 to March 2018, and a report against the Growth Duty, is included in this Report and Accounts (pages 4-5).

OFFA delivered Access Agreement decisions for 2017-18 by a deadline of 31 July 2017 to all institutions that submitted a complete Access Agreement by a submission deadline of 27 April 2017.

### **Benchmark and seek to continually improve our governance, management and operational performance**

Work towards this objective in 2017-18 included an annual review of our strategic priorities and a quarterly review of our organisation-wide operating plan, including a review of operational risk relating to each of the themes set out in the plan. We also integrated assurance mapping with the performance and risk review process.

### **Deliver value for money in all of our services**

In 2017-18 OFFA budgeted more than 80 per cent of its annual grant in aid allocation, including programme funds, for frontline services and policy development. Back office costs were kept to under 25 per cent of the annual budget through the provision of office accommodation, infrastructure, facilities and professional services through an agreement with HEFCE and using in-house capability for financial reporting, governance, information management and administration. OFFA's internal analysis and quarterly reports to Government have consistently shown expenditure within 5 per cent variance of the annual budget and cash flow forecasts ensured OFFA maintained working capital within limits agreed with DfE.

### **Continue to improve the professionalism, motivation and capabilities of all of our staff**

Over the past year, OFFA extended its cultural change and staff development programmes to develop the professionalism, motivation and capabilities of new staff members, with a strong focus on enabling OFFA to deliver its strategic plan. Each member of staff had an agreed learning and development plan which was built into the annual budget. Performance was measured and supported through individual annual performance reviews.



Nicola Dandridge, OFFA Accounting Officer (from 1 April 2018)  
Chief Executive, Office for Students

2 July 2018

## **Accountability report**

This accountability report is subject to the audit of our disclosures on the regularity of OFFA's expenditure, the total figure of the non-pensionable remuneration for the Director, fair pay disclosures and the analysis of staff numbers and costs which are included below in the remuneration report.

OFFA's regularity of expenditure was subject to our annual audit opinion for 2017-18. It was not in receipt of or liable for the payment of any fees or charges.

As the Chief Executive Officer, the Director received an annual remuneration of £78,780, which was non-pensionable.

## **Corporate Governance report**

### **Director's report**

My predecessor the Director of Fair Access to Higher Education at 31 March 2018 was Professor Les Ebdon. The Director was the single Accountable Person for OFFA, and had no Board of Directors. Neither the Director nor any member of the office made a donation to any political party 2016-18.

### **Payment of creditors**

In line with Government guidance, including the Late Payment of Commercial Debt Regulations which applied from 18 March 2013, OFFA was fully committed to the prompt payment of its suppliers' invoices and supported the Better Payment Practice Code. OFFA aimed to pay invoices in accordance with agreed contractual conditions or, where no such conditions exist, as soon as possible. All suppliers were notified of this commitment through HEFCE, and were given clear guidelines to help OFFA achieve this aim. Throughout the year, on OFFA's behalf, HEFCE monitored actual performance against a 30 calendar day target. During the year ending 31 March 2018 the target was met for 98 per cent of invoices (100 per cent in 2016-17) for OFFA.

OFFA also monitored performance against a 10 working day payment measure and aims to sustain or move as closely as possible to this measure wherever possible. OFFA's performance against this prompt payment target of 80 per cent was 89 per cent in 2017-18 (98 per cent in 2016-17). During 2017-18 our performance against a five-working-day payment target was 76 per cent (89 per cent in 2016-17). Reduced annual performance was mainly the result of delays due to the transition of financial transactions to the new Workday ERM system.

The prompt payment code can be found at [www.promptpaymentcode.org.uk](http://www.promptpaymentcode.org.uk).

### **How the accounts are audited**

The accounts are audited by the Comptroller and Auditor General, who is appointed by statute. The Comptroller and Auditor General did not provide any non-audit services during 2017-18.



## **Diversity and equality**

OFFA, through its service level agreement with HEFCE, followed HEFCE's policy on diversity and equal opportunities in line with its *Equality and Diversity Statement and Objectives 2016-17* (HEFCE publication 2016/05). OFFA, directly and through HEFCE, was committed to making equality and fair treatment (irrespective of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation) a core element in the way services were delivered and in the way the organisation was managed.

## **Consultation of employees**

OFFA, directly and through HEFCE, recognised the Public and Commercial Services (PCS) union as specified in their partnership agreement and regularly consulted with all staff and the PCS union on changes concerning employee relations within the organisation, taking into account the differing views and opinions of colleagues. Staff surveys were updated in the period leading up to the closure of OFFA.

## **Health, safety and welfare at work**

OFFA, followed HEFCE's Health and Safety at Work Policy. HEFCE's aim was to have a clear and comprehensive framework to ensure, as far as reasonably possible, the health and safety of colleagues and others who may at any time be on its premises. The policy recognised the organisation's statutory responsibilities for providing a safe and healthy working environment for all members of staff and visitors to HEFCE's offices.

## **Personal data related incidents**

There were no personal data or other information related incidents. No personal data breaches or potential breaches were reported to the Information Commissioner in 2017-18.

## **Statement of Accounting Officer responsibilities**

Under Section 8 of Schedule 5 to the Higher Education Act 2004, the Secretary of State for Education, with the consent of HM Treasury, has directed the Accounting Officer of OFFA to prepare a statement of accounts for this financial year in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must show a true and fair view of OFFA's state of affairs at the year end and of its revenue and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by the Secretary of State for Education, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- Make judgements and estimates on a reasonable basis
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the annual accounts
- Prepare the annual accounts on a going concern basis.

The DfE Accounting Officer has designated the Director of Fair Access, and subsequently the Chief Executive of the Office for Students, as Accounting Officer of OFFA. The responsibilities of an Accounting Officer – including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding OFFA’s assets – are set out in ‘Managing Public Money’, published by HM Treasury. These responsibilities have been fulfilled.

From 1 April 2018 the residual responsibilities attached to the role of the Accounting Officer of the OFFA have transferred to the Chief Executive of the Office for Students, in light of the closure of OFFA on 31 March 2018 and the transfer of the majority of its activities to the Office for Students.

The Accounting Officer has taken all the steps that she ought to have taken to make herself aware of any relevant audit information and to establish that auditors of OFFA are aware of that information. As far as the Accounting Officer is aware, there is no relevant audit information of which the auditors are unaware.

The annual report and accounts as a whole is fair, balanced and understandable. The Accounting Officer takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

## **Governance statement**

### **Introduction and context**

The Director of Fair Access to Higher Education was created as the Office Holder under the Higher Education Act 2004 and, following the passing of the Higher Education and Research Act 2017 by Parliament, his post ceased to exist on 31 March 2018. The business, assets and liabilities of the Director and OFFA, together with some of those of the Higher Education Funding Council for England, were transferred with effect from 1 April 2018 to a successor organisation established by the Department for Education (DfE), the Office for Students (OfS). His corporate governance arrangements were not carried forward to the OfS. On my appointment as Chief Executive Officer of the OfS I have accepted the residual responsibilities attached to the role of Accounting Officer with effect from 1 April 2018 in the light of the closure of OFFA on 31 March 2018 and the transfer of the activities of the Director of Fair Access to the OfS.

## **Scope of responsibility**

During the year to 31 March 2018, the Director of Fair Access was accountable to the Secretary of State for the DfE and the Permanent Secretary of DfE as its Accounting Officer in respect of his responsibility for maintaining sound systems of governance, risk management and internal control.

The office of the Director of Fair Access to Higher Education, OFFA, was an executive non-departmental public body and an Arm's Length Body (ALB) of DfE. As Accounting Officer, accountable to the Secretary of State for Education, the Director had stewardship of the financial resources provided to him and thence to OFFA. It was his responsibility to maintain a sound system of governance and internal control supporting the achievement of OFFA's policies, aims and objectives with openness and integrity in accordance with the Treasury's guidance *Managing Public Money* including recent guidance on risk management and the reform of relationships between Government and its ALBs. He was also responsible for planning the use of public funds allocated to him economically, efficiently and effectively and with OFFA's aim to promote and safeguard fair access to higher education along an affordable and sustainable path with reference to his ministerial guidance.

I have accepted the residual responsibilities attached to the role of Accounting Officer with effect from 1 April 2018 in light of the closure of OFFA on 31 March 2018 and the transfer of the majority of its activities to the Office for Students.

The Director's responsibilities included oversight of the closure of OFFA on 31 March 2018 and the preparation of final accounts to be audited and published after his retirement from public office. He conducted an evaluation of the effectiveness of internal governance of the organisation which amongst other evidence provides me, as Chief Executive Officer of the Office for Students, with assurance as signatory to this Annual Report and Financial Statements.

## **The purpose of the Governance Statement**

The Governance Statement aims to give a clear understanding of the dynamics of OFFA's business and control structure. It aims to provide an insight into OFFA's business operations, how the annual grant-in-aid allocation and other sources of government funding have been used in the delivery of the Director's objectives, the decision-making process and the management of risk. It also explains the approach which has been taken by OFFA towards compliance with the principles of good governance.

## **The Governance Framework for the Office for Fair Access**

OFFA was established in October 2004 under Part 3 of the Higher Education Act 2004. This legislation established the post of my predecessor, the Director of Fair Access to Higher Education ("the Director") who was appointed by the Secretary of State for Business Innovation and Skills. The powers and duties under the Act were vested in the person of the Director. The Director was required to perform his duties in such a way as to promote and safeguard fair access to higher education. His duty was to issue guidance to institutions as to the matters he gave regard to in deciding whether to approve their Access Agreements, and to protect academic freedom, including in

particular the freedom of institutions in relation to course content and admission decisions. He identified good practice in relation to equality of opportunity across the student lifecycle (for example on outreach, retention and student success, progression to employment or further study, and financial support for students) and gave advice about such practice to publicly funded institutions.

### **Corporate governance**

In view of its size and the nature of the Director's role, and by agreement with HM Treasury and the DfE Head of Governance and Risk, OFFA had no governing body, board sub-committees or Audit and Risk Committee. Since OFFA's budget and operational remit grew during his term of appointment, The Director appointed two non-executive officers. These Special Advisors on Finance and Regulatory Affairs provided an additional source of scrutiny and challenge over financial management and OFFA's business as a statutory non-economic regulator.

### **Financial authority and accountability**

Due to his independence from Government the Director of Fair Access exercised his duties in accordance with legislation, having regard to letters of guidance from ministers setting out the direction of Government policy, and a requirement that reports to the Secretary of State must be laid before Parliament. He maintained regular interaction with DfE ministers and officials in performing his duties.

A Framework Document with DfE set out the broad management and financial framework within which the Director would operate. His financial authority was under delegation from the Permanent Secretary of DfE who was its Accounting Officer and to whom he was directly accountable. OFFA adopted the Higher Education Funding Council for England's (HEFCE) financial control framework, as applied to the processing of financial transactions, a service which was delivered to OFFA as part of the service level agreement with HEFCE (as are other services, such as human resources and IT support). OFFA took ownership of its own financial control framework, and assurances received from HEFCE about the delivery of these financial services contributed to OFFA's own internal controls.

OFFA has published annually a Report and Accounts to provide a transparent account of the use to which public funds have been put. As part of the Government's transparency agenda, it has published details of senior staff expenses and of individual non-pay financial transactions above £25,000, on OFFA's website at [www.offa.org.uk/about/transparency-data](http://www.offa.org.uk/about/transparency-data). In 2017-18 the non-pay invoices exceeding £25,000 relate to the quarterly charge for the delivery of office space, infrastructure and support services under the service level agreement with HEFCE and an annual payment towards the capital costs of fitting out OFFA's office area, at premises leased by HEFCE beginning in October 2015, amortised over the lifetime of the lease. They also include the costs of delivery of two contracts for research and one for technical support in analysing qualitative data provided by institutions.

The Director had unlimited authority to spend within agreed budgets, except for certain items which were subject to limits of authorisation including ICT (£1 million), marketing and advertising

(£100,000), property-related (£100,000) and consultancy (£20,000), although in practice OFFA did not approach these limits. These spending limits were not breached in 2017-18.

### **Internal control**

The Director was ultimately responsible for ensuring that the system of internal control was effective in managing OFFA's risks. He was supported in this task by the Assistant Director, the Director's Executive Group and the management team. The system of internal controls extended to the services provided by HEFCE through the service level agreement. For this reason an important part of the control environment has been to monitor the effectiveness of the Agreement including Assurances over the quality of delivery of the financial and Human Resource services and the maintenance of business continuity and digital data security.

OFFA's internal audit function reported to the Assistant Director, the Special Advisors and to the Director for items of major significance. The Head of Internal Audit had the right of direct access to the DfE Head of Governance and Risk if appropriate. This right of access was routinely used to provide the internal audit annual report to DfE for information, but there has never been cause to use it in relation to any control weaknesses in respect of OFFA.

A review of the effectiveness of internal controls has been carried out annually in relation to delivery against OFFA's key performance indicators for its operational activities, risk and crisis management, financial regularity and propriety and regulatory compliance.

### **Financial management**

The Director observed relevant policy and guidance issued by DfE and its ministers, and by other relevant Government departments, such as HM Treasury and the Cabinet Office, with regard to all financial matters including accounting, budgeting and forecasting, commercial matters relating to contracting, procurement and sales and financial risk management. Financial forecasting for the short and medium-term were undertaken by the Assistant Director, supported by the Finance and Governance Manager through a costed plan of operations.

OFFA's annual grant in aid was separated into two streams which were resource administration (recurrent) and Research and Development (classified as Capital funding by HM Treasury under the European System of Accounting 2010). Capital funding provided for non-pay expenditure for commissioned research and other research activities. The Finance and Governance Manager (under delegation from the Assistant Director) monitored grant-in-aid and other grant receipts, expenditure against the budget for both grant funding streams, and cash management against the rolling forecast every month. Variances against the master budgets were reviewed monthly with DfE business partners requirements of DfE. The Director received budget reports at the end of each quarter and at year end including reference to significant budget variances.

OFFA's annual pay remit was negotiated with DfE jointly with HEFCE. However decisions relating to OFFA's pay arrangements and Human Resource rested entirely with the Director, including decisions about the allocation of non-consolidated (performance-related) pay within HM Treasury rules.

## **Value for money**

Value for money principles have been embedded in OFFA's processes and activities, corporate structure, and through the appraisal of staff and management performance. On the expectation of Government that OFFA delivered good value on his aims and objectives, the Director reported in person on operational performance twice annually to the DfE Director General of Insight Resources and Transformation.

OFFA's principles were also subject to challenge on a regular basis through the review of OFFA's control framework by Internal Audit and the Special Advisors. The Director gained additional assurance about value for money through the annual renegotiation of the service level agreement with HEFCE, delegated to the Assistant Director.

## **Policy advice**

The Director's Advisory Group comprised 14 members including the Special Advisors. Its purpose was to provide expert and impartial advice on strategy, policy and operational matters. This could include advice on the fair implementation of policy concerning individual Access Agreements. Members of the group were entitled to receive a fee for meetings attended and work completed. A regular review of the skills of the current group members took place, with a view to mapping existing against desired skills for the group as a whole. This led to the appointment from time to time of new members with skills which improved the breadth and quality of advice, with expertise in access, student success and progression from across the sector, including the student interest, HE providers, schools, the third sector and HE policy. The group met twice in the current accounting period.

OFFA also discussed current strategy and policy matters with DfE Higher Education Directors and its Higher Education Policy Team on a regular basis.

## **Equality and diversity**

OFFA had specific legal obligations to promote equality under the Equality Act, 2010. OFFA was able to deliver most of its internal obligations through HEFCE's equality scheme which enables staff to be briefed on developments in legislation. The Act was applied through the staff guide, and through policies on recruitment and human resource management which were operated by OFFA with the support of HEFCE. To fulfill its external obligations OFFA promoted equality and diversity as part of its wider promotion of equality of opportunity in higher education, for example in the expectations it conveyed to institutions through Access Agreement guidance that they should address Equality and Diversity in their Access Agreements.

## **The risk and internal control framework**

OFFA's strategic plan set out its purpose, approach to regulation and how universities and colleges were expected to work towards the promotion of fair access. It contained aims and Key Performance Indicators (KPIs) which in turn determined OFFA's approach to governance and risk management. The system of internal control for 2017-18 which accords with guidance from HM Treasury and DfE,

was designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve OFFA's aims and objectives; it could therefore only provide reasonable and not absolute assurance of effectiveness. The system was based on a continuing review process which is designed to identify and prioritise risks, evaluate the likelihood of those risks crystallising, and to manage them effectively based on systematic assurance mapping. This system of internal control has been in place throughout the year ended 31 March 2018 and has been in operation to the date of the annual report and accounts.

### **Approach to risk management**

Risk awareness was embedded in OFFA's culture and operating strategy and risk management was addressed by the senior management team. OFFA's Internal Audit service reviewed risk management arrangements as part of the internal audit plan and gave advice on the quality of OFFA's risk management and internal controls generally. An important element of the approach was the recognition that each staff member had a strong perception of risk and received training both in understanding the risk appetite of the organisation and in the contribution of individual staff members to risk management. Risks were addressed through a process which was documented in a risk register that was both high level and operational. The Director and his staff took an approach of ensuring that risk management is embedded in policy development. Where appropriate, the risks of policy implementation were subject to discussion and consultation with stakeholders at development stage, including with DfE as part of a regular dialogue with Ministers and civil servants. Through this approach the Director received assurance through the Three Lines of Defence (the review of front-line business processes, direct oversight of management activity and an independent line of assurance and challenge from internal audit and the Special Advisors).

OFFA's risk management and Integrated assurance policy was reviewed in 2017-18. Steps were taken to fully align processes for managing operational and strategic risks. The strategic risk register was formally reviewed three times during the year. Risks were identified and classified according to their probability, business implications and mitigations, and contingencies were planned and implemented. Key existing and emerging risks were discussed with the Advisory Group where necessary.

OFFA's risk management process and high level risk register were revised since the date of the last annual report to include 12 strategic risks. These address the risks foreseen by OFFA in making progress against the KPIs against which OFFA had reported in 2017-18. These high level risks also reflect some of the uncertainties of operating in a period of transition and government policy development in higher education, and include the risk of regulatory failure. In 2014 OFFA came under the scope of compliance of the Regulator's Code and in 2017 of statutory compliance under the Enterprise Act 2016, whose provisions were address within the KPIs and as part of the strategic risk review process.

### **The risk environment**

Because of the small size of the organisation, importance was attached to gathering and updating information on its environment in the review of strategic risks. For this purpose each year OFFA

conducted a systematic analysis of emerging issues. The most important challenges were to ensure the cause of fair access to Higher Education would continue to be championed with the voice of authority, and to ensure the credibility of evidence OFFA developed to support Effective Practice in institutions.

The risk register represents the areas of risk which were the focus of attention of managers and, where appropriate, were mitigated against to ensure the delivery of the business plan and strategy. At 31<sup>st</sup> March 2018 the number of strategic risks at the highest score was three. Significant risks which were being actively reviewed at year end, their status at the year-end date and movement on risk status since 31<sup>st</sup> March 2017, are listed in the table below which describes OFFA’s historic identification of risk and the mitigations it deployed (strategic risks are quoted from the risk register in the present tense):

<b>Strategic risk</b>		<b>Plan of risk mitigation</b>
Strategic risk 1	If the information we collect, the way we gather it and the availability or accessibility of the data we collect indicate a need for improvement then our strategic aims and decisions will not be supported	OFFA took steps in 2017-18 to ensure Access Agreement data were assessed in a robust manner. It introduced a more consistent approach to the way it measured the progress institutions have made against targets in the monitoring process. It made use of TEF data, further developed its use of qualitative data from institutions, and used this information to provide improved evidence in feedback to institutions including through new data on Financial Support. The level of risk remained high at the year end date as OFFA had yet to gather data which addresses the requirements of a review on Value for money to students.
RED, increased from AMBER		
Strategic risk 2	If our Access Agreement and monitoring processes are ineffective then we will fail to challenge and support institutions at the desired pace and will be ineffective in steering them towards our desired outcomes	OFFA encouraged evidence-led expenditure and faster progress towards institutional targets. It ensured institutions were setting stretching targets which would contribute to the progress of the sector. As part of this it aimed to ensure that a high level of ambition is maintained. OFFA Increased its challenge to institutions on self-evaluation measures. It worked regularly
RED, increased from AMBER		



		with institutions, the National Union of Students and sector bodies to address issues and update guidance. It developed new policy on raising attainment in schools. The level of risk remains high as at the year end date it had yet to challenge institutions to develop targets which addressed the requirements of a review on Value for money to students.
Strategic risk 3  AMBER, decreased to GREEN	If OFFA has a poor understanding of the salient evidence which we require to support and challenge institutions, then its ability to influence others and advise on policy development will be curtailed	OFFA had made good progress in developing research projects against the strategic plan objectives in collaboration with other funders including Government and institutions increasing the number of projects and Research and Development funding to nine in 2017-18. It carried out regular reviews and calls for evidence to ensure its knowledge was up to date and that it understood where the gaps lay. This was undertaken through an ongoing schedule for updating topic briefings, and by preceding new research projects with a literature review to improve general knowledge.
Strategic risk 4  AMBER, decreased to GREEN	If OFFA fails to set the research agenda in its messages to institutions then it will fail to stimulate progress in research and the application of evidence from research in its future guidance	OFFA worked to increase the steps it took to learn more about potential barriers to institutions responding to OFFA guidance and policy, including the availability of data. It also improved its knowledge through learning from the Access Agreement reference group which met twice this year, through research dissemination activities, by informal engagement with practitioners in institutions, and through OFFA's Evidence and Effective Practice review published in March 2018. In 2017-18 OFFA worked in partnership with the sector to deliver more research objectives. It enhanced its

		communication strategies through new media channels for the dissemination of research results, creating new tools for evaluation and challenging institution to undertake their own research
Strategic risk 5	If OFFA's messages are not clear and are not delivered effectively then its priorities and the rationale behind them will not be understood	In this year of transition OFFA worked to ensure its policy and messages were positively aligned to those of the OfS. It continued to improve and refine the way it presented guidance to institutions. It increased the focus on keep Fair Access high on the news and political agendas through systematic work with stakeholders and media coverage. It also focused on securing the right speaking opportunities for the Director and ambassadorial opportunities for staff as part of the communications strategy.
AMBER, unchanged		
Strategic risk 6	If OFFA's defence of its policy or processes does not survive a legal or other significant challenge then regulatory failure and reputational damage are a consequence	No decisions have been challenged during 2017-18, and at year end one institution was subject to a potential sanction relating to a substantial breach of its Access Agreement. OFFA set high expectations for the HE providers it regulates and to ensure this continues, policy decisions were carefully considered and backed by legal advice where necessary. Any unintentional Access Agreement breaches, such as misapplication of inflationary increases to fees or bursaries, have been rectified successfully through dialogue and agreed action with institutions. OFFA conducted a review of student communication via institutional websites to reinforce its policy on providing high quality information to students.
AMBER, unchanged		
Strategic risk 7	If OFFA fails to support, motivate and develop its staff through a positive OFFA experience then we will fail to attract and retain excellent people	OFFA implemented a cultural change programme that included the development of clearer roles, new working practices and a personalised learning and development plan. Central

RED, decreased to AMBER	resulting in a loss of efficiency and effectiveness	to this was an emphasis on a culture of internal collaboration and clear communication, clear prioritisation, the empowerment of staff and an emphasis on success. We have devoted additional resource to minimising adverse impacts of the closure of OFFA on its staff.
Strategic risk 8  AMBER, decreased to GREEN	If OFFA fails to demonstrate its impact and give value for money then we will fail in our negotiations to secure a budget sufficient to deliver our plans	OFFA sought opportunities to link VFM objectives to KPI outcomes through metrics and to improve the efficiency of resource use across OFFA's teams. It has also pioneered collaborative activity that draws investment from the HE sector with minimal resource requirements to OFFA and has promoted evaluation of impact of expenditure and outcomes by institutions. OFFA has adopted stringent controls over procurement and annually reviewed the recommendations of its most recent comprehensive Value for Money Audit.
Strategic risk 9  AMBER, unchanged	If OFFA fails to undertake effective prioritisation, planning and project appraisal then it will fail to harness its resource effectively and efficiently in delivering its strategic aims	OFFA reviewed its work priorities against the operating plan and through quarterly reviews across the themes of the Strategic Plan. This regular monitoring of OFFA's work priorities against the operating plan, ensured that OFFA remained on track to deliver its strategic aims, and took the appropriate mitigating action to adapt the operating plan when necessary to ensure these aims were achieved.
Strategic risk 10	If OFFA fails to anticipate policy changes and advise on policy development in Government then it will fail to protect access, to advise institutions reliably and to create a coherent policy environment in access and participation for the sector	OFFA was experienced in responding swiftly to central policy changes that required the rapid redeployment resources in order to deliver outcomes to government expectations, for example in supporting the future communications strategy for the OfS. Through meetings with the Secretary of State for Education the Director sought

AMBER, unchanged		to place his policy objectives in centre-ground for the national Social Mobility Strategy
Strategic risk 11  RED, unchanged	There is the risk that OFFA's effectiveness as a single focus regulator will be diminished as the functions of Fair Access and Participation become integrated within the mission and objectives of a new regulatory body	OFFA worked with DfE, HEFCE and other stakeholders towards the creation of the new Office for Students, to ensure that Fair Access and Participation principles and the student focus were both integrated and highly visible across the functions, regulatory policy and framework, and the corporate form of the organisation.
Strategic risk 12  RED, decreased to AMBER	If OFFA fails to identify and protect its information and knowledge assets then we will lose or be unable to find or replicate information resulting in reputational damage, loss of trust from the HE sector, and the loss of efficiency and effectiveness	OFFA undertook awareness training to improve personal information management, team and individual responsibilities and effective information sharing. An information asset register was created and asset owners appointed to ensure improvements in asset protection and exploitation. Steps were taken to address potential breaches of Data Protection legislation and to undertake a review of information rights policies, including preparation for GDPR.

In addition to managing its strategic risks, OFFA addressed further changes required to deliver its Strategic Plan and the 2016 letter of guidance from the Secretary of State and Minister for Higher Education. These included increasing operational capability through further growth in payroll headcount and, in the last half of the year, addition of staff capacity on loan from HEFCE in order to deliver work over a wider scope and to provide greater challenge and support to the sector.

### Internal audit opinion

Internal Audit carries out work designed to assess the quality of OFFA's governance, management and risk assessment and control. During the financial year, our audit provision has been provided by the Government Internal Audit Agency. Based on their recommendations and my management responses, the annual internal audit opinion to the Director of Fair Access to Higher Education for 2017-18 is as follows:

“On the basis of the work that we have undertaken, our annual opinion is Moderate - Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.”

### **Review of effectiveness**

My predecessor had responsibility for conducting an annual review of the effectiveness of the system of the organisation’s governance, risk management and internal control. This review was informed by the work of OFFA’s Finance and Governance Manager, the Assistant Director, other managers and internal audit, and took account of comments made by the external auditors in their management letter and other reports. The Governance Statement represents the end product of the review of the effectiveness of the Governance Framework, risk management and internal control.

Before the year end The Director of Fair Access undertook a formal review of governance effectiveness including a systematic evaluation of OFFA’s Corporate Governance. The review covered a comprehensive assessment of OFFA’s Assurances and the internal control environment. On the basis of this evidence, my conclusion is that the governance and internal control structures for OFFA have been appropriate for OFFA’s business and have worked satisfactorily throughout 2017-18.

### **Cessation of OFFA and transfer of Accounting Officer responsibilities**

Through the enactment of section 81 of the Higher Education and Research Act 2017, OFFA ceased to exist and closed on 31 March 2018. The continuing activities of OFFA were transferred to the Office for Students established by the Higher Education and Research Act 2017. Responsibility for these continuing activities lies with the Office of Students, for which I am Accounting Officer. The completion and agreement of these final accounts of OFFA, and their submission to Parliament, therefore became my responsibility from 1 April 2018.

In fulfilling this duty, I have relied on the statements and assurances of the Accounting Officer in place at OFFA for the year to 31 March 2018. I have also relied on the oversight of OFFA’s systems of corporate governance, risk management and internal control during the financial year and as described in its annual report, as well as my review of these annual report and accounts. I have also received the management report on their audit of these 2017-18 accounts from OFFA’s external auditors.

I have considered the evidence provided with regard to the production of the annual Governance Statement. The conclusion of my review is that OFFA’s overall governance and internal control structures were appropriate for OFFA’s business and that they operated satisfactorily throughout 2017-18.

Nicola Dandridge

Nicola Dandridge, OFFA Accounting Officer (from 1 April 2018)  
Chief Executive, Office for Students

2 July 2018

## Remuneration and staff report

### The Accounting Officer

#### Salary and pension entitlements for the Director

This disclosure has been subject to audit. The Director of Fair Access to Higher Education ('the Director') was appointed, and his remuneration was determined, by the Secretary of State for Education. The Director's role was a part-time position at 0.6 FTE (i.e. three days a week). The Director's letter of appointment stated that his appointment was classed as an "Office Holder" for tax and National Insurance purposes and, as such, under Section 19(1)1 of the Income and Corporation Taxes Act 1988, his salary was liable to tax under Schedule E and attracts Class 1 National Insurance liability. His earnings did not attract any benefits from the Principal Civil Service Pension Scheme. Details are given below.

	£, 000
Director's salary	75-80
Director's full time equivalent salary band (bands of £5000)	130-135
Performance pay or bonuses (bands of £5000)	0
Non-cash benefits	none
Pension benefits accrued during the year	none

#### Director's Register of Interests

The Director of Fair Access had no company directorships or any other significant interests.

#### Compensation for loss of office

The Director held his office until 31<sup>st</sup> March 2018, the date of OFFA's closure, after which he retired from office. No payment has been made under the terms of an approved Compensation Scheme.

#### Fair Pay disclosure

The monetary value of benefits in kind covers any benefit provided by the employer and is treated by the HM Revenue and Customs as a taxable emolument. Professor Ebdon did not receive any benefits in kind or bonuses in 2017-18, (no benefits in kind nor bonuses in 2016-17). Professor Ebdon received an initial three year fixed term of appointment from 1 September 2012, subject to review before 31 August 2015. He was subsequently reappointed to 31 August 2016 and again for a further 19-month term to 31 March 2018. His remuneration was reviewed by DfE on an annual basis in line with that of the heads of other non-departmental public bodies.

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The full-time equivalent remuneration of the highest-paid director (Professor Les Ebdon, The Director of Fair Access) in the financial year 2017-18 was in the band 130-135, £000. The Director's full-time equivalent salary was 3.7 times (3.7 times in 2016-17) the median remuneration of the workforce, which was £35,480 (2016-17, £35,691). The salary range for staff other than the Director in 2017-18 was £82,756 to £24,967 (2016-17: £78,780 to £22,055). In 2017-18, no employee received remuneration in excess of the highest-paid director (2016-17, no employee).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions. This disclosure will also allow some comparability over time and across the public sector and private sector, where similar disclosures of senior employees remuneration and pay multiples are made. There has been no impact of any pay freeze on the pay multiples reported in this section. This disclosure has been subject to audit.

### Advisory Group

OFFA maintained an Advisory Group from 2005 to provide the Director of Fair Access and OFFA with expert and impartial advice on policy issues, procedures and individual Access Agreements. Advisory Group members were entitled to a fee (paid at a rate of £250 a day) for attendance at meetings, or for work by correspondence, as agreed with OFFA. The fee was not pensionable. Members were also entitled to reasonable travel and subsistence expenses, payable on the same terms and conditions as OFFA staff. Several members of the group, including the chair, waived their right to claim a fee. Members claiming a fee in some cases elected to donate it directly to a charitable cause. Details of payments are shown below.

	Year ended 31 March 2018	Year ended 31 March 2017
	£	£
Dr John Selby, Chair	0	0
Femi Bola	0	0
Sir Ivor Crewe	0	0
Dr Penelope Griffin	1000	750
Victoria Lowry	0	0
Sarah Howls	0	0
Alison Levey (Special Advisor)	750	750
Dr Lee Elliot Major	0	0
Steve Mc Ardle	250	500
David Malcolm	0	0
Nick Hillman	0	1000
Carol Prokopyszyn (Special Advisor)	0	0
Fiona Waye	0	0
Jo Wiggans	500	0
<b>Total</b>	<b>2500</b>	<b>3000</b>



The Chair formally waived his fee. Other members of the group decided not to claim. This disclosure has been subject to audit.

### **Special Advisors to the Director of Fair Access**

In October 2015 the Director created two additional posts in his governance structure, the Special Advisor on Finance (the current post holder is Carol Prokopyszyn) and the Special Advisor on Regulatory Affairs (the current post holder is Alison Levey). Both special advisors were able to claim an honorarium under their terms of reference. Both Special Advisors were members of the Advisory Group and were able to claim a members' fee for meeting attendance.

## **Staff report**

### **OFFA's structure**

The Director was supported by OFFA, with a management team comprising the Assistant Director and nine senior managers (four women, and five men). Other than the Director, no staff member was employed at the Senior Civil Service (SCS) grade. One member of the senior management team was on maternity for the first nine months of the year and maternity cover was provided by a male member of staff seconded from HEFCE. At 31 March 2018, OFFA's headcount of staff on the payroll, excluding the Director and including those on maternity leave for part of the year at 31 March 2018, was 32 (22 women and ten men). OFFA's staff were not Civil Service members and no staff were employed on a Civil Service SCS grade. The following is a full analysis of staff costs with prior year comparable figures:

The average number of whole time equivalent persons employed during the year was as follows. This disclosure has been subject to audit.

	<b>Permanently-employed staff</b>	<b>others</b>
Directly employed	29.1	0
other (agency staff)	0	1.6
Staff engaged on capital projects	0	0
<b>TOTAL</b>	<b>29.1</b>	<b>1.6</b>

Salaries of these staff were as follows. This disclosure has been subject to audit.

	<b>2017-18</b>	<b>2016-17</b>
	<b>£ 000</b>	<b>£000</b>
	<i>TOTAL</i>	<i>TOTAL</i>
Directly employed	1,545	1,234
other (agency staff and committee fees)	88	33
Staff engaged on capital projects	0	0
<b>TOTAL</b>	<b>1,633</b>	<b>1,267</b>

Staff costs included gross salary (including deductions under salary sacrifice schemes and Childcare vouchers), overtime, annual settlements under the pay remit negotiated jointly with HEFCE, and non-consolidated pay under the OFFA staff contribution scheme. Annual settlements under the pay remit were awarded from 1 August each year. The staff contribution scheme was awarded as a single payment to eligible staff for the annual period of service from 1st March to 28th February.

Total expenditure on Research under contract amounted to £161,501, all of which was research and development work related to OFFA regulatory policy. This expenditure does not fit the Cabinet Office definition of Consultancy.

There were no off-payroll engagements, nor were any exit packages paid in 2017-18 (no off -payroll engagements nor exit packages in 2017-18). This disclosure has been subject to audit.

OFFA's employees are covered by the provisions of the PCSPS. This is a multi employer defined benefit scheme treated for accounting purposes, in accordance with the FReM, as a defined contribution scheme.

The Trade Union (Facility Time Publication Requirements) regulations 2017 requires relevant public sector organisations to report on trade union facility time in their organisations. Facility time is paid time off for union representatives to carry out trade union activities. Under its SLA with HEFCE OFFA received HR services including representation in the Public and Commercial Services (PCS) Union. For this reason OFFA's permanent staff included no Relevant Union Official. The HEFCE Annual report for 2017-18 includes a full disclosure on Facility Time relating to trade union activities.

### **Sickness absence rate**

OFFA monitored sickness absence for all staff directly employed by OFFA through HR reports received under the service level agreement (see pages 7, 24). For individuals the aim is to get early warning of any issues and to be able to support colleagues in dealing with chronic health problems or returning to work after extended periods of sick leave. At the organisational level we believe that sickness is a useful indication of staff satisfaction and wellbeing.

Absence due to sickness at OFFA was low compared to other organisations. The most recently available analysis of staff sickness absence data for OFFA (March 2017) indicates that 6.0 average working days per staff year was lost. The most recent data for all UK public service bodies (Civil Service Sickness Absence Figures for the year ending 31 March 2017) indicates an average of 7.0 working days lost per staff year.

### **Staff policies**

OFFA operated staff policies which were common to HEFCE, which provided OFFA's human resource service under the service level agreement. HEFCE's recruitment policy gave full and fair consideration to applications for employment, career development and promotion in respect of disabled persons, having regard to their particular aptitudes and abilities. Staff policies included arranging appropriate training for staff in continuing employment who have become disabled during their period of employment, health and safety at work. The policies give due regard to trade union relationships and human capital management such as carer management and employability.

### **Parliamentary Accountability and Audit Report**

OFFA received funding in the form of grant-in-aid from Parliament, which enabled it to pursue its activities and to manage its affairs. In accordance with HM Treasury guidance, funding through grant-in-aid is accounted for not as income but as financing through the general fund and, as such, is credited to the income and expenditure reserve in OFFA's financial statements.

OFFA had no income in 2017-18 that could be retained and set against resource or capital budgets. OFFA incurred no losses, had not made any special payments, and had not been in receipt of any gifts. OFFA had no remote contingent liabilities at 31 March 2018. This disclosure has been subject to audit.



Nicola Dandridge, OFFA Accounting Officer (from 1 April 2018)  
Chief Executive, Office for Students

2 July 2018

# THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

## **Opinion on financial statements**

I certify that I have audited the financial statements of the Office for Fair Access (OFFA) for the year ended 31 March 2018 under the Higher Education Act 2004. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of OFFA's affairs as at 31 March 2018 and of net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Higher Education Act 2004 and Secretary of State directions issued thereunder.

## **Opinion on regularity**

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## **Basis of opinions**

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of OFFA in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## **Responsibilities of the Accounting Officer for the financial statements**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

My responsibility is to audit, certify and report on the financial statements in accordance with the Higher Education Act 2004.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OFFA's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the OFFA's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

#### **Other Information**

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have

performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### **Opinion on other matters**

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Higher Education Act 2004;
- in the light of the knowledge and understanding of OFFA and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

### **Report**

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**

**Date** 12 July, 2018

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

# Financial Statements

## Statement of comprehensive net expenditure for the year ending 31 March 2018

	Note	Year ended 31-Mar 2018 £ 000	Year ended 31-Mar 2017 £ 000
<b>Expenditure</b>			
Staff costs	2	1,633	1,267
Other expenditures	3	723	660
Total expenditure		<u>2,356</u>	<u>1,927</u>
<b>Net expenditure for the year transferred to general reserve</b>		<u>2,356</u>	<u>1,927</u>

There were no gains or losses other than the net expenditure for the year.  
OFFA's operations ceased with the closure of the organisation on 31<sup>st</sup> March 2018.

The notes on pages 47 to 55 are part of these accounts.

## Statement of financial position as at 31 March 2018

	Note	31-Mar 2018 £ 000	31-Mar 2017 £ 000
<b>Current assets</b>			
Trade and other receivables	5	17	4
Cash	6	190	164
		<u>207</u>	<u>168</u>
<b>Current liabilities</b>			
Trade and other current payables	7	(162)	(147)
<b>Total assets less total liabilities</b>		<u>45</u>	<u>21</u>
<b>Taxpayers' equity</b>			
General reserve		<u>45</u>	<u>21</u>



Nicola Dandridge, CBE  
 Accounting Officer, Office for Students  
 2 July 2018

The notes on pages 47 to 55 are part of these accounts.



## Statement of cash flows for the year to 31 March 2018

	Note	Year ended 31-Mar 2018 £ 000	Year ended 31-Mar 2017 £ 000
<b>Cash flows from operating activities</b>			
Net expenditure		(2,356)	(1,927)
Decrease/(increase) in trade and other receivables	5	(13)	0
Increase/(decrease) in trade payables and other current liabilities	7	15	12
<b>Net cash outflow from operating activities</b>		<b>(2,354)</b>	<b>(1,915)</b>
<b>Cash flows from financing activities</b>			
Grants from parent department		2,380	1,958
<b>Net cash inflow from financing activities</b>		<b>2,380</b>	<b>1,958</b>
<b>Net financing</b>			
Net increase in cash for the year	6	26	43
<b>Cash at beginning of period</b>	6	164	121
<b>Cash at end of period</b>	6	<u>190</u>	<u>164</u>

The notes on pages 47 to 55 are part of these accounts.

## Statement of changes in taxpayers' equity for the year ended 31 March 2018

<b>General Reserve</b>	
£ 000	
<hr/>	
<b>Balance as at 1 April 2016</b>	<b>(10)</b>
Changes in reserves 2016-17	
Grant from parent department	1,958
Net expenditure transferred in the year	<b>(1,927)</b>
<b>Balance as at 31 March 2017</b>	<u>21</u>
Changes in reserves 2017-18	
Grant from parent department	2,380
Net expenditure transferred in the year	<b>(2,356)</b>
<b>Balance as at 31 March 2018</b>	<u><b>45</b></u>
<hr/>	

The notes on pages 47 to 55 are part of these accounts.

# Notes to the accounts

## 1 Accounting policies

### **Basis of accounting**

The financial statements are drawn up in accordance with the Higher Education Act 2004, and follow the Accounts Direction issued by the Department for Education on 8<sup>th</sup> February 2018. They have been prepared in accordance with the 2017-18 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of the Office for Fair Access for the purpose of giving a true and fair view has been selected. The particular policies which were adopted by the Office for Fair Access are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In preparing these accounts OFFA made no critical accounting judgements on key areas of income expenditure, assets and liabilities.

### **Accounting convention**

The accounts are prepared under the historical cost convention. The currency used to prepare the accounts is sterling and are rounded to the nearest £1,000.

### **Adoption of New or Amended standards effective in 2017-18**

OFFA followed reporting guidelines as set out in the Financial Reporting Manual (FReM) 2017-18. In order to comply with the requirements of IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8), OFFA must disclose where it had not applied a new IFRS that has been issued but is not yet effective. A review was carried out of the IFRSs in issue but not yet effective, to assess their impact on its accounting policies and treatment, and it was found that none of the updates have any material impact on the accounts.

### **Changes to IFRS – new or amended standards issued but not yet effective**

At 31 March 2018 the following IFRS s, none of which will be material to OFFA s annual accounts, have been issued but are not effective as they are not yet applied in the FReM:

IFRS 9 -Financial Instruments -no mandatory effective date.

IFRS 15 -Revenue from Contracts with Customers -effective date 1 January 2018.

IFRS 16 -Leases -effective date 1 January 2019.

These standards have been issued but are not yet effective or endorsed by the European Union or incorporated into the FReM. IFRS 9 and IFRS 15 are anticipated to be adopted in the 2018-19 FReM and the adoption date of IFRS 16 anticipated to be 2019-20. The potential impact of IFRS 9, IFRS 15 and IFRS 16 are not expected to have a material impact on OFFA's financial statements.

### **Going concern**

As set out in section 5.2.8 of the Financial Reporting Manual 2017-18, I am required to provide an explanation of the adoption of the going concern basis where this might be called into doubt. The passage into law of the Higher Education and Research Act 2017 resulted in the closure of OFFA on 31 March 2018. A transfer order was put in place at midnight on this date which transferred the remaining net liabilities from OFFA to the Secretary of State for Education and then directly onto the Office for Students (OfS), sponsored by the Department for Education (DfE) and as agreed by the Department on 1 April 2018. The existing assets, liabilities and staff of OFFA have been transferred to the OfS in the same way. The statement of financial position at 31 March 2018 shows net liabilities which reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the OfS's other sources of income, may only be met by future funding from the organisation's sponsoring department, the DfE. This is because, under the normal conventions applying to parliamentary control over account the amounts required to meet the OfS transferred liabilities from OFFA that are due in that year, has already been included in DfE's estimates for that year, which have been approved by Parliament, and there is no reason to believe that the Department's future sponsorship and future parliamentary approval will not be forthcoming. This means the functions of government delivered by OFFA will continue and accordingly these financial statements have been prepared on a going concern basis.

### **Operating segments**

OFFA is classified a minor body by HM Treasury for the purpose of reporting in the Whole of Government Accounts. Its single overall objective is to support widening participation and fair access within higher education. The Accounting Officer reviews reports on OFFA as an entity with costs analysed in a similar way to that shown in the financial statements. The Accounting Officer considers that under IFRS 8 Operating Segments OFFA activities comprise one operating segment.

### **Financial instruments**

Assets and liabilities that meet the definition of financial instruments are accounted for in compliance with IFRS 7 and International Accounting Standard 32 where material. Receivables and payables falling due within one year are measured at cost on the basis that this is a reasonable approximation of fair value.

### **Employee benefits**

Short term employee benefits comprising salaries, social security contributions and paid annual and sick leave are recognised in the year in which the related service is performed. The exception to this is that any staff bonus is recognised in the year in which a reliable estimate of the obligation can be

made, which is when the decision to pay a specified bonus is made. In addition to costs payable under the SLA or directly the cost of any untaken annual leave days is accrued at the year end, and the in year movement is taken to the Statement of Comprehensive Net Expenditure when the decision to pay a specified bonus is made. In addition to costs payable under the SLA or directly the cost of any untaken annual leave days is accrued at the year end, and the in year movement is taken to the Statement of Comprehensive Net Expenditure. OFFA's post employment benefits liability under the Principal Civil Service Pension Scheme (PCSPS) is recognised in the year in which the related service is performed.

### **Property, plant and equipment**

OFFA had no property, plant or equipment other than that which is provided by HEFCE under the service level agreement.

### **Grants from the Department for Education (DfE)**

All grant from the parent department (DfE) is treated as financing as it is a contribution from controlling parties giving rise to a financial interest. It is recorded as financing in the cash flow statement and credited to the general reserve.

### **Accounting for the Service Level Agreement with HEFCE**

The cost of central support functions provided under the agreement, including the costs of staff performing these activities, are included within other administration costs. HEFCE made an annual charge to OFFA for the cost of building and infrastructure refurbishment at OFFA's offices, amortised over the lifetime of the lease held by HEFCE. The charge is recognised as a recurrent cost in note 3 and a related party transaction in note 8.

### **Taxation**

OFFA did not trade and hence is not liable for Corporation Tax. Also OFFA had insufficient chargeable output to warrant registration for VAT. In the Financial statements costs are shown inclusive of VAT where applicable, including staff costs, which are provided as a service by HEFCE. VAT charges on staff costs are separately disclosed in the notes to the Financial Statements. No VAT was charged on staff costs for staff directly employed on OFFA's own payroll.

## 2 Staff costs

	Year ended 31 March 2018 £ 000	Year ended 31 March 2017 £ 000
<hr/>		
Staff employed by OFFA (including the Director and directly seconded staff)*		
Salaries	1,200	958
Social security costs	129	102
Other pension costs	216	174
	<b>1,545</b>	<b>1,234</b>
Costs of contingency staff (agency costs and committee fees)**	88	33
	<b>1,633</b>	<b>1,267</b>
<hr/>		

\*Staff costs include Value Added Tax. Value Added Tax is paid on Staff Employed by OFFA which are seconded from HEFCE under the SLA.

\*\*This Line includes the payments to the advisory group members, as detailed in the Remuneration and Staff report on page 36.

### 3 Other Expenditure

	Year ended 31 March 2018 £ 000	Year ended 31 March 2017 £ 000
External audit fee†	18	20
Internal Audit fee††	12	12
Research under contract and legal fees	162	137
General administrative payments	69	54
Publications, printing, publicity	7	9
Recruitment and training	26	25
<b>HEFCE Service charge:</b>		
Facilities management, IT, Human Resources and Financial Services†††	323	322
Publication design service	1	6
Annual redevelopment charge††††	34	34
Travel and subsistence for staff and advisory committees	71	41
	<u><b>723</b></u>	<u><b>660</b></u>

†As stated in the audit planning report.

††The internal audit service was provided by the Government Internal Audit Agency.

†††Services were delivered under the annual service level agreement between OFFA and HEFCE. From 2016-17 a fixed annual price for the service was agreed. This is not a charge at cost, so it is not possible to account separately for the cost elements of the services provided. The total for 2017-18 includes £1,200 charged retrospectively for publication design work completed in-year.

††††HEFCE recharges to OFFA its share of the refurbishment of the new Lime Kiln Close office site, which OFFA occupied from October 2015, amortised over the life of the lease (see note 1).

## 4 Financial instrument risks

Financial instruments are not significant in respect of OFFA's financial position and performance. IFRS 7 and International Accounting Standards (IAS) 32 and 39 require an organisation to present and disclose information on the possible impact of financial instruments on its financial position and performance and on the extent of its risk profile. As a non-departmental public body (NDPB) funded by the Government, OFFA is not exposed to credit, liquidity, market or interest rate risks arising from any of its normal operations. OFFA has no overseas operations or foreign currency bank accounts; and therefore no currency risks arise. The organisation has no fixed assets and therefore objectives, policies and processes relate principally to cash management.

## 5 Trade receivables and other current assets

All amounts falling due within one year:	As at	As at
	31 March	31 March
	2018	2017
	£ 000	£ 000

---

### (a) analysis by type

Trade receivables and other current assets	0	0
Prepayments	17	4
	<u>17</u>	<u>4</u>

### (b) analysis by source

Other central Government bodies	0	0
Bodies external to Government	17	4
	<u>17</u>	<u>4</u>



## 6 Cash and cash equivalents

	2017-18	2016-17
	£ 000	£ 000
Balance at 1 April	164	121
Net change in cash and cash equivalent balances	26	43
Balance at 31 March	<u>190</u>	<u>164</u>
The following balances at 31 March were held at:		
<b>Government Banking Service</b>	<u>190</u>	<u>164</u>
Balance at 31 March	<u>190</u>	<u>164</u>

## 7 Trade payables and other current liabilities

All amounts falling due within one year

	<b>As at 31 March 2018 £ 000</b>	<b>As at 31 March 2017 £ 000</b>
<hr/>		
<b>(a) analysis by type</b>		
Trade Payables	74	4
Accruals	88	143
	<u>162</u>	<u>147</u>
<b>(b) analysis by source</b>		
Other central Government bodies	131	62
Bodies external to Government	31	85
	<u>162</u>	<u>147</u>
<hr/>		

## 8 Related party transactions

OFFA is a non-departmental public body which is sponsored its parent department DfE, and therefore DfE is regarded as a related party. OFFA had a service level agreement with HEFCE, through which HEFCE provided a number of facilities and services to OFFA including office accommodation, transactional services, IT and human resources support, information management and other specialist services for which OFFA had no or limited internal resource. During the year OFFA paid HEFCE £358,243 for the services provided through the SLA (£361,600 in 2016-17).

Nicola Dandridge, the Accounting Officer who is signatory to this Annual Report, was formerly the Chief Executive officer of Universities UK. In 2017-18 transactions between OFFA and Universities UK amounted to £498, which comprised the registration fees for two members of OFFA staff to attend a conference organised by Universities UK on October 10th 2017 entitled 'The Higher Education Act 2017: What it means for your institution'.

A disclosure on compensation for key management personnel is given in the Remuneration and Staff Report, page 35.

## 9 Events after the reporting period

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date on which the accounts are authorised for issue. As at the date of the Audit Certificate the following reportable events had occurred:

### **OFFA ceased operations on 31 March 2018**

The functions delivered by OFFA were subsequently delivered by a new non-departmental public body, the Office for Students. On 1 April 2018 a transfer order under the Higher Education and Research Act 2017 effected the transfer of existing assets, liabilities and staff of OFFA to the Office for Students. The Accounting Officer has reflected that there is no further impact on the Financial Statements other than those set out in Note 1. The Accounting Officer concluded that these changes, reflecting legislation and the subsequent transfer order, provide certainly that the functions delivered by OFFA in 2017-18 will continue to be delivered in the future. It is therefore appropriate to prepare these accounts on a going concern basis.

These Financial Statements and Notes were authorised by Nicola Dandridge, the Accounting Officer and Chief Executive Officer of the Office for Students. The date the accounts were authorised for issue is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.