

2004 – 05

Annual Report and Accounts

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offa

office for fair access

OFFFA Annual Report and Accounts 2004-05

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

Ordered by the House of Commons to be
printed 20 July 2005.

Foreword

In recent months we have seen one of the most significant steps forward in the evolution of student support, with English universities and colleges announcing a diverse range of creative financial packages that will be available for students entering higher education from 2006.

It was always very likely, in my view, that the combination of trusting the higher education sector and the establishment of a genuinely independent regulator in the form of the Office for Fair Access (OFFA), whose independence the Government has always fully respected, would lead to an outcome from which future students would gain.

Our intention from the start has been very simple – we have sought, through frank ongoing dialogue with the sector and individual institutions, to ensure the emergence of as generous a set of student support arrangements as is reasonably possible. But all the while we have respected the very different starting points of the various universities and colleges as well as the then Secretary of State's unambiguous advice that institutions should retain for their own purposes 'the lion's share' of the additional resources raised from increased fees.

In March, I was delighted to be able to announce approval on all access agreements from English institutions submitted to OFFA by 4 January 2005 and a significant number after that date (118 in total were announced by the end of the period up to 31 March 2005). The outcomes were diverse, with offers ranging from cash bursaries, through scholarship schemes to subject specific support. As a result, up to 400,000 students from low income backgrounds could expect to benefit from a total of over £300 million in the form of bursaries and other financial support, a clear commitment from across the sector towards ensuring that all those who have the potential to benefit from higher education have the opportunity to do so.

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This is the first time the sector has seen such investment in bursary provision across the board on anything approaching this scale. This reflects the very conscious decision we took at the outset to rely as much as practicable on the individual processes of strongly autonomous institutions with the minimum possible bureaucratic burden. It is for this reason that the credit must go the universities and colleges themselves.

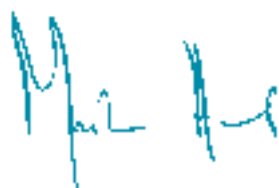
We have seen two complementary agendas addressed simultaneously. The first was the wish to encourage anyone who is appropriately qualified to seek entry to the institution most suited to his or her aptitudes, regardless of personal circumstances. The second was the need to ensure that no one is deterred from applying to higher education on financial grounds.

Our clear resolve not to interfere in university admissions has greatly reassured those who were cautious, and it is certainly clear from the outcomes that this has not reduced in any way institutions' determination to provide a range of measures to encourage applications from a diverse student population.

But much still remains to be done. As the first phase draws to a close, I am looking to gain input from the sector on the future role of OFFA. In my view the key issues for the future are likely to be the promotion of good practice, particularly around bursaries, working with other bodies to ensure the widest dissemination of the support available for students, and the further analysis of agreements and development of monitoring arrangements. Perhaps most important of all, we will need to play a major role in evaluating what actually happens as the new regime of fees and student support takes effect during 2006.

I am in absolutely no doubt that institutions will honour the promises they have made to future students. These plans should go a very long way towards ensuring that no-one is deterred on financial grounds from seeking the benefits which higher education can bring.

Sir Martin Harris



Director of Fair Access

OFFA Annual Report and Accounts 2004-05

Background information / OFFA's role

When Parliament agreed to allow institutions to charge variable tuition fees for full-time home and EU undergraduates from 2006, it did so on the condition that institutions invest a proportion of their additional fee income in to attracting applications from students from low income groups – through bursaries and scholarships. OFFA was created to work with institutions to ensure that this condition is met.

OFFA is a new, independent, non departmental public body. It was established under Part 3 of the Higher Education Act 2004 following the appointment of Sir Martin Harris as Director of Fair Access on 15 October 2004. It is sponsored by the Department for Education and Skills (DfES) and reports to the Secretary of State for Education and Skills. OFFA has established a small Advisory Group of recently retired heads of institutions available to offer impartial advice on access matters and if necessary on individual decisions. An independent review panel has been established by the DfES should institutions wish to challenge an OFFA decision.

OFFA's role is set out in the Higher Education Act 2004 and can be summarised as follows:

To safeguard and promote fair access to higher education by regulating the charging of variable tuition fees through the approval and monitoring of access agreements and, where appropriate, to identify and disseminate good practice and advice connected to access to higher education.

OFFA is a very small organisation, comprising of just three full time staff (excluding the Director and Deputy Director). It therefore purchases operational support from the Higher Education Funding Council for England (HEFCE) delivered through a service level agreement.

Mission

Working in partnership we promote fair access to higher education for under-represented groups.

Strategic aims

Our strategic aims are to support institutions in order to:

- a. ensure that the introduction of variable fees does not have a detrimental effect on widening participation
- b. increase the amount of funding available for outreach and bursaries
- c. support and encourage improvements in participation rates in HE
- d. support and encourage an increase in the numbers or proportions of under-represented students in the most prestigious institutions
- e. ensure that any burden caused to institutions by the introduction of OFFA is minimised.

OFFA's strategic aims are primarily delivered through institutions' access measures set out in their access agreements.

System of internal control

The Director has made a statement on OFFA's internal control systems. This statement is reproduced on pages 12 to 13 of these accounts.

Preparation of financial statements

OFFA's financial statements are prepared in accordance with a direction given by the Secretary of State for Education and Skills with the approval of the Treasury, in pursuance of paragraph 8 (1) of Schedule 5 of the Higher Education Act 2004.

Financial results for 2004-05

These accounts cover the period 15 October 2004 – when the first Director of Fair Access was appointed – to 31 March 2005. Costs incurred after 1 July 2004 have been included in these accounts, following guidance from the DfES, as these costs accurately reflect some of the initial start up costs of OFFA. The accounts have been prepared in accordance with the direction given by the Secretary of State for Education and Skills, with the approval of the Treasury, in accordance with Schedule 5 (section 8) of the Higher Education Act 2004. The accounts are also produced in accordance with the Financial Memorandum with the DfES.

All of OFFA's income during the year was from Grant-in-Aid, and during its first year this totalled £500,000. All of this funding was provided for the administrative running costs of the organisation by the DfES. The results for 2004-05 show a surplus of £89,162. This surplus is higher than expected due to short time period in which OFFA has been operating, following the appointment of the Director on 15 October 2004. This level of surplus is not expected in future years.

In accordance with the Treasury guidance on non-departmental public bodies' reports and accounts, the accounts include the notional cost of capital, which amounts to £316 in 2004-05. Note 5 to the accounts explains the basis for calculating these charges.

The accounts are audited by the Comptroller and Auditor General, who is appointed by Statute. The audit fee is £8,500 and he did not provide any non-audit services during 2004-05.

Higher Education Funding Council for England (HEFCE)

OFFA has a service level agreement with HEFCE for the provision of various services including accommodation, finance, IT and human resource support, internal audit and general administrative activities. HEFCE operates a finance system on behalf of OFFA, and OFFA takes reliance on HEFCE's internal control procedures to ensure that a satisfactory service is provided. During the period ending 31 March 2005 OFFA paid HEFCE £270,876 as part of the service level agreement.

Payment of creditors

OFFA is fully committed to the prompt payment of its suppliers' invoices and supports HM Treasury's Better Payment Practice Code. OFFA aims to pay invoices in accordance with agreed contractual conditions or, where no such conditions exist, within 30 days of receipt of satisfactory goods or services or the presentation of a valid invoice, whichever is the later. All suppliers have been notified of this commitment, through HEFCE, and have been given clear guidelines to help the OFFA achieve this aim. Throughout the year HEFCE monitors actual

performance against the 30 day target. During the period ending 31 March 2005 the target was met for over 99 per cent of invoices.

Equal opportunities

OFFA, through its service level agreement with HEFCE, follows HEFCE's policy on Diversity and Equal Opportunities policy in line with its Race Equality Scheme and in order to comply with the Race Relations Amendment Act 2000. HEFCE's Race Equality Scheme was also published in May 2002. OFFA, through HEFCE, is committed to making race equality and equal treatment – irrespective of gender, disability, sexuality, age or religious belief – a core element in the way services are delivered and in the way the organisation is managed.

Health, safety and welfare at work

OFFA, through its service level agreement with HEFCE, follows HEFCE's health and safety at work policy. HEFCE's aim is 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 their premises. The policy recognises the statutory responsibilities for providing a safe and healthy working environment for all members of staff and visitors to HEFCE's offices.

Consultation with employees

OFFA, through its service level agreement with HEFCE, recognises the Public and Commercial Services (PCS) union as specified in their partnership agreement and regularly consults with all staff and the PCS union on changes concerning employee relations within the organisations, taking into account the differing views and opinions of colleagues. HEFCE, along with other public bodies, has published its Race Equality Scheme (May 2002) as required under the Race Relations (Amendment) Act 2000. As part of this scheme OFFA, through HEFCE, remains committed to consult with staff from all ethnic groups about any changes to equal opportunities policies to ensure appropriateness and effectiveness.

Annual report of achievements in 2004-05

The focus for the first part year of operation has been on the core business of ensuring that access agreements were assessed and approved within the tight timetable. The Higher Education Act was not passed until July 2004 and OFFA could not be established until a Director was appointed in October 2004. However it was necessary to ensure that access agreements could be approved by the summer of 2005, in order for institutions to publish information for prospective students on their fee levels and bursary and scholarship schemes in time for the start of the application cycle for entry in September 2006.

This could not have been achieved if some preliminary work had not been undertaken by the Department for Education and Skills (DfES) and The Higher Education Funding Council for England (HEFCE) prior to the establishment of OFFA, to develop draft guidance to the sector on the content of access agreements. This development included input from the sector in the form of the 'Access Agreement Reference Group' (October 2003 to June 2004) consisting of the DfES, HEFCE, plus representatives from Universities UK, the Standing Conference of Principals and the Association of Colleges and some individuals from institutions.

Since our establishment on 15 October 2004 and up to 31 March 2005, we have:

- published guidance to institutions on producing access agreements (November 2004)
- established procedures and systems for processing / assessing access agreements
- engaged in an ongoing programme of stakeholder management, including:
 - holding sector seminars to coincide with the publication of the access agreement guidance
 - meeting with a range of key sector bodies
- provided a feedback service for those institutions wishing to submit draft agreements (59 institutions submitted draft agreements)
- processed 120 official agreements, including feedback, clarification and discussion where appropriate
- issued decisions for 118 institutions

- provided a general enquiry service regarding access agreements and related issues
- we have also arranged with the Department for Employment and Learning (DEL), Northern Ireland, to provide an assessment service for Northern Irish access agreements – preparation has already been done for this (6 Northern Ireland agreements have been received and assessed – and we are in the process of feeding back to institutions)

OFFA has met all of its deadlines for issuing decisions on access agreements as set out in 'Guidance to institutions on producing access agreements' (OFFA 2004/01); on 17 March 2005 we were pleased to announce the approval of all agreements submitted before 4 January 2005 and a large number submitted after the initial deadline. All approved agreements are on the OFFA website (www.offa.org.uk).

We are pleased with the way in which the sector has responded to our guidance and have always tried to work collaboratively and transparently with the sector to minimise bureaucratic burden. Whenever possible, we have also made it clear that we aim to be reasonable and practical. We feel that institutions have been appreciative of this approach, but intend to conduct an evaluation of the process to inform the development of OFFA and the assessment process of future access agreements.

No research or development of guidance on good practice has been carried out during this period.

N.B. Since 31 March 2005 we have continued to process agreements. At the time of writing (18 May 2005) 154 access agreements have been processed and 150 approved. A further 4 agreements are at feedback stage for minor clarifications.

Analysis of approved access agreements (figures as of the 31 March 2005)

On 17 March 2005 OFFA announced approval of the first 118 access agreements submitted by institutions. The announcement was based on 120 access agreements assessed up to 4 March 2005.

All those institutions who submitted agreements responded positively to the fair access agenda, committing themselves to providing a diverse and varied range of bursaries across the board often at very generous levels.

An initial analysis of these access agreements shows that:

- over £300 million per year (of additional fee income in steady state) will be invested by institutions in non repayable cash bursaries and scholarships for students. This is the level of investment which benefits under-represented groups. Many institutions are also investing in bursaries and scholarships which benefit a broader range of students and are not means tested (for example, scholarships based on academic merit only) and this is not included in the above figure
- a further £35 million per year (of additional fee income in steady state) will be invested by institutions in outreach activities. We have seen a broad range of outreach activities proposed in the access agreements. Most of this extends to existing outreach activities funded through other routes but we have also seen some development of new activities. Some of this income is also invested in measures to ensure that the under-represented groups targeted in the agreements are supported during their course and are less at risk of dropping out
- a typical bursary, for a student on full state support, is around £1,000. The range is from £300 to £3,000
- all institutions charging full fee of £3,000 are providing more than the minimum bursary requirement of £300
- around 82 per cent of institutions are also offering bursaries to students whose residual family income is between £15,000 to £22,000, while around 70 per cent are offering bursaries to students with income thresholds of up to £33,000
- around 91 per cent of HEIs and FECs are planning to charge the full tuition fee of £3,000
- the majority of institutions plan to set aside between 20 and 30 per cent of their additional fee income into bursaries and other forms of financial support
- around 35 per cent of institutions plan to set up new scholarship schemes based on academic merit, ranging from around £500 – £5000. Some of these schemes are aimed exclusively at lower income groups, whilst the majority (62 per cent) are awarded purely on merit
- just over 10 per cent of institutions plan to give out subject specific bursaries with awards ranging from £250 to £5,700.

OFFA's future role

We are still in the process of assessing access agreements for FECs and for Northern Ireland. The deadline for the submission of agreements from higher education institutions was 31 March 2005 and for further education colleges, 31 May 2005.

Over the coming months our focus will shift to the development of monitoring procedures and strategic planning for OFFA's role from 2005-06 onwards. We will seek the views of the sector on this, but expect that there is likely to be a role in the promotion of good practice around bursaries and financial information for prospective students. There is also likely to be further analysis of the access agreements and a role in the evaluation of the impact of variable fees.

Sir Martin Harris

Director and Accounting Officer
Office for Fair Access

16 June 2005

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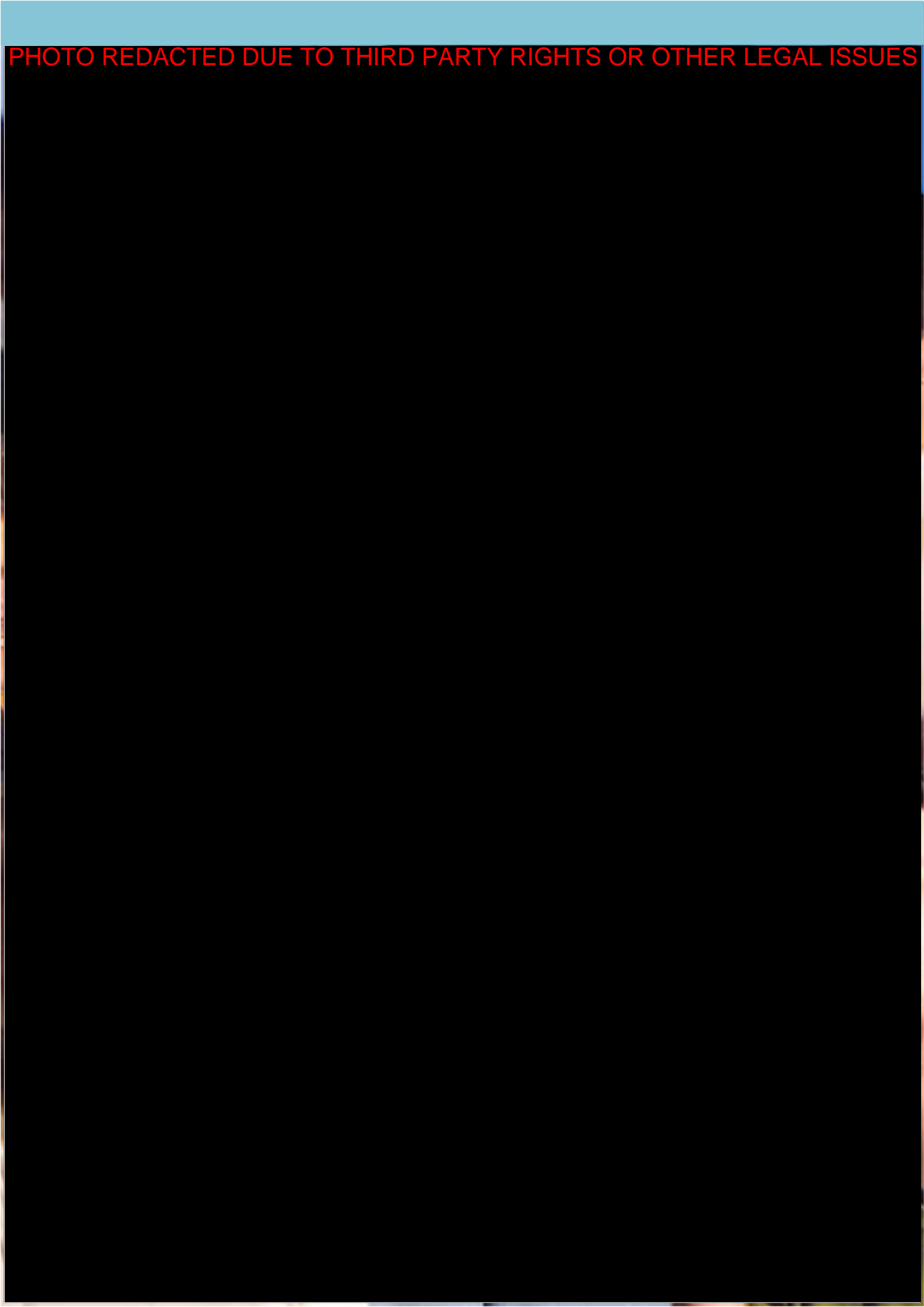


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Statement of the Office for Fair Access and the Director's responsibilities

Under section 8 of schedule 5 to the Higher Education Act 2004, the Director of Fair Access is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for Education and Skills, with the consent of the Treasury. The accounts are prepared on an accruals basis (modified by the revaluation of fixed assets) and must show a true and fair view of the OFFA's state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

In preparing the accounts OFFA is required to:

- observe the accounts direction issued by the Secretary of State for Education and Skills, 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 have been followed and disclose and explain material departures in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the body will continue in operation.

The Accounting Officer for the Department for Education and Skills has designated the Director as the Accounting Officer for OFFA. His relevant responsibilities as Accounting Officer, including his responsibilities for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the non-departmental public bodies Accounting Officers' Memorandum, issued by the Treasury and published in Government Accounting.

Statement by the Director on internal control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of OFFA's aims and objectives. I am personally responsible for safeguarding the public funds and OFFA's assets, in accordance with the responsibilities assigned to me by the Department for Education and Skills (DfES) in the draft Management Statement and Financial Memorandum.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. Since my appointment as Accounting Officer on 15 October 2004 the system of internal control has been developed in accordance with Treasury Guidance and this has included a risk management process. The system of internal control relies partly on my monitoring of the effectiveness of the Service Level Agreement with the Higher Education Funding Council for England (HEFCE) for the provision of administrative services and staff.

Risk management

Risk management is an ongoing process designed to identify and prioritise the risks to the achievement of OFFA's aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. We have an Assurance Framework that explains OFFA's risk management policy, defines key roles and responsibilities and sets out how risk management is to be embedded in OFFA's strategic and operational planning processes. OFFA's current schedule of risks covers:

- Access agreements – provision of data, processing and monitoring
- Communications – timeliness and credibility
- Financial and Operational – operational management

- Policy related – achievements regarding sustaining widening participation.

Following agreement with DfES, and due to its small size, OFFA is not required to have an audit committee. Appointed auditors will instead be provided with a clear reporting line, which may culminate in issues being reported to the sponsoring team in the DfES and subsequently the DfES audit committee. No such matters were raised in 2004-05.

The Assurance Framework is appropriate for the level of risks faced by the organisation. The risk management process has been in place from OFFA's establishment in October 2004 and is currently being further developed with a view to embedding it within the organisation in the future.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control which encompasses operational, financial and compliance controls. The accountability framework consists of policies, procedures, monitoring and communication which collectively contribute to the delivery of strategic objectives and maintenance of a sound system of internal control.

My review of the effectiveness of the system of internal control is informed by:

- regular meetings with executive managers within OFFA to consider the plans and strategic direction of the OFFA
- reports from executive managers within OFFA who have responsibility for the development and maintenance of the internal control framework including risk management
- regular meetings with executive managers within OFFA to consider the risk register and ensure that responsibility for the management of identified risks has been allocated and appropriate control measures are being taken
- reports from the internal audit service provided by HEFCE under the Service Level Agreement

- an annual report from the Head of Internal Audit, provided under the Service Level Agreement, which included an opinion on the effectiveness of the risk management process and adequacy of internal controls
- comments made by the external auditors in their management letter and other reports.

Conclusion

As a result of my review for 2004-2005 I am able to report that the system of internal control has generally operated satisfactorily and that I have not identified any material weaknesses which would have affected the achievement of OFFA's objectives or goals. During 2005-06 OFFA will continue to develop its corporate governance and risk management arrangements to further enhance the system of internal control, to ensure continuous improvement, to respond to evolving best practice and to respond to external developments.

Sir Martin Harris

Director and Accounting Officer
Office for Fair Access

16 June 2005

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements on pages 16 to 25 under the Higher Education Act 2004. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 20.

Respective responsibilities of the Office for Fair Access, the Director and Auditor

As described on page 11, the Office and the Director are responsible for the preparation of the financial statements in accordance with the Higher Education Act 2004 and directions made thereunder by the Secretary of State for Education and Skills, and for ensuring the regularity of financial transactions. The Office and the Director are also responsible for the preparation of the Foreword and contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Higher Education Act 2004 and directions made thereunder by the Secretary of State for Education and Skills, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and whether the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Office has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 12 to 13 reflects the Office's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Office's corporate governance procedures or its risk and control procedures.

Basis of Audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Office and the Director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Office's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Office for Fair Access at 31 March 2005 and of the surplus, total recognised gains and losses and cash flows for the period ending 31 March 2005 and have been properly prepared in accordance with the Higher Education Act 2004 and directions made thereunder by the Secretary of State for Education and Skills; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
LONDON
SW1W 9SP

28 June 2005

The maintenance and integrity of the OFFA web site is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Income and expenditure account for the period ending 31 March 2005

	Note	Period Ending 31 March 2005 * £
Income		
Grant-in-Aid income	2	500,000
		500,000
Expenditure		
Running costs		
Staff costs	3	202,176
Other administration	4	208,662
		410,838
Operating surplus / (deficit) before interest		89,162
Notional interest on capital	5	316
Operating surplus / (deficit) after interest		89,478
Reversal of notional interest on capital		(316)
Surplus / (deficit) for the period		89,162

* OFFA's Director was appointed on 15 October 2004, but expenditure was incurred from 1 July 2004.

All OFFA operations are continuing.

There were no gains or losses other than the surplus for the period.

The notes on pages 20 to 25 form part of these accounts.

Balance sheet as at 31 March 2005

	Note	As at 31 March 2005 £
Current assets		
Debtors	6	4,709
Cash at bank and in hand	7	107,213
		111,922
Creditors		
Amounts falling due within one year	8	(22,760)
Net current assets		89,162
Total net assets / (liabilities)		89,162
Represented by		
Reserves		
General reserve	9	89,162
		89,162

Sir Martin Harris
Director
Office for Fair Access

16 June 2005

The notes on pages 20 to 25 form part of these accounts.

Cash flow statement for the period to 31 March 2005

Period Ending
31 March 2005
£

Operating activities

Receipts

HM Government grant funds received through the
Department for Education and Skills:
Running costs

500,000

500,000

Payments

Administration costs

392,787

392,787

Net cash inflow / (outflow) from operating activities

107,213

Net cash outflow from capital expenditure

0

Financing

0

Net cash inflow / (outflow)

107,213

Notes to the cash flow statement

a Reconciliation of operating surplus to net cash flow from operating activities

	Period Ending 31 March 2005 £
Operating surplus / (deficit)	89,162
Decrease / (increase) in debtors and loans	(4,709)
Increase / (decrease) in creditors	22,760
Net cash inflow / (outflow) from operating activities	107,213

b Reconciliation of net cash flow to movement in net debt

	Period Ending 31 March 2005 £
Net funds at 15 October 2004	0
Increase / (decrease) in cash for the period	107,213
Net funds at 31 March 2005	107,213

Notes to the Accounts for the period to 31 March 2005

1 Accounting policies

Basis of accounting

These accounts are drawn up in accordance with the Accounts Direction given by the Secretary of State for Education and Skills, with the consent of the Treasury and in accordance with the Higher Education Act 2004 (paragraph 8 (1) of Schedule 5). The accounts are prepared under the historical cost convention, modified by revaluation of fixed assets and in accordance with the Treasury guidance 'Executive Non-Departmental Public Bodies: Annual Reports and Accounts Guidance'. The accounts use applicable Accounting Standards issued or adopted by the Accounting Standards Board with the exception of the requirements of FRS 3 for the inclusion of a note showing historical cost profits and losses.

In accordance with FRS 18 the accounting policies and estimation techniques used are those that are judged to be the most appropriate for the purpose of giving a true and fair view. These policies are reviewed regularly to ensure they remain the most appropriate.

Grants from the Department for Education and Skills

Grants for OFFA's running costs are credited to the Income and Expenditure account.

Notional costs

Treasury guidance in respect of Non Departmental Public Bodies' Annual Reports and Accounts requires NDPBs to disclose the full cost of their activities in their accounts. OFFA has therefore included in its accounts charges for the notional cost of capital. The cost of capital has been arrived at by calculating a rate of 3.5 per cent to the average capital employed. In accordance with the Treasury guidance non-interest bearing bank balances with the Office of the Paymaster General and the Bank of England are excluded from the calculation of capital employed.

Provisions for liabilities and charges

Provisions are recognised when OFFA has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. OFFA has no provisions for the period ending 31 March 2005.

Pension costs

Employees seconded from the Higher Education Funding Council for England (HEFCE) are members of the Principal Civil Service Pension Scheme (PCSPS), and the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply to the employees of HEFCE. HEFCE charges OFFA for the services of the seconded staff, including pension costs, and during the year ending 31 March 2005 OFFA made payments of £16,977 (including VAT) for pension contributions. The PCSPS, is a multi employer defined benefit scheme (treated for accounting purposes as a defined contribution scheme). Contribution rates are determined from time to time by the Government Actuary and advised by the Treasury.

Taxation

OFFA does not trade and hence is not liable for Corporation Tax. Also as OFFA has insufficient chargeable output to warrant registration for VAT. Costs are shown inclusive of VAT where applicable, including staff costs, which are provided as service by HEFCE.

2 HM Government Grants Receivable

This note shows the Grant in Aid receivable from the Department for Education and Skills during the year. The Grant received is part of the Department's Resource Accounts.

	Period Ending 31 March 2005 £
Running costs	
Administration costs	500,000
Total Grant in Aid	500,000

3 Salaries and wages

3a Director and senior employees

The Director for Fair Access is appointed by the Secretary of State for Education. The appointment is for three years and the Director is paid directly by the Department for Education and Skills. The department invoices OFFA the cost of the Director's salary and national insurance contributions.

Sir Martin Harris was appointed as the first Director of Fair Access on 15th October 2004. The Director's role is a part-time position, and is equivalent to a 0.5 full time equivalent post. The post does not offer any pension entitlements.

John Rushforth (Director of Widening Participation at HEFCE) was appointed as Deputy Director of OFFA on 15 October 2004, although his work started from 1 July 2004. He is paid by HEFCE and forty per cent of his salary costs (plus VAT) are recharged to OFFA under the service level agreement.

	Period Ending 31 March 2005 Salary £000
Sir Martin Harris, Director	20-25
John Rushforth, Deputy Director	30-35

Salary

Salary includes gross salary; performance pay or bonuses; and any other taxable allowances or payments.

Benefits in kind

The monetary value of benefits in kind covers any benefit provided by the employer and treated by the Inland Revenue as a taxable emolument. The Director and Deputy Director did not receive any benefits in kind during 2004-05.

3b Advisory Group

The purpose of the Group is to assist the Director of Fair Access and OFFA by providing advice on individual access agreements, and on matters of fair access and OFFA policy and procedures.

Members of the Group are paid a fee for the work completed, and during the period ending 31 March 2005 the following amounts were paid.

	Period Ending 31 March 2005 £
Dr Michael Goldstein	1,700
Professor Norman Gower	2,550
Dr John Rea	2,550
	6,800

3c Staff costs

	Period Ending 31 March 2005 £
Staff employed by OFFA (including directly seconded staff)	
Salaries	143,312
National Insurance contributions	13,538
Pension costs	16,977
	173,827
Costs of employing contract, agency and temporary staff*	28,349
	202,176

* This line includes the payments to the Advisory Group members.

Staff numbers

	Period Ending 31 March 2005 Number
The average actual number of staff employed, excluding the Director and Deputy Director, expressed as full time equivalents was:	3
Average number of contract, agency and temporary staff	1
	4

Salaries

Salary includes gross salary, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowance to the extent that it is subject to UK taxation.

Pay settlements (for HEFCE seconded staff) consist of an element of revaluation to take account of the effects of inflation, and an element of progression related to performance against objectives. Annual settlements are awarded from 1 August each year (1 April for Directors) and relate to individuals' performance in the previous financial year. Awards are paid as consolidated increases in basic pay up to the maximum rate for the job, and as non consolidated lump sums above it. Members of staff are also eligible for a non-consolidated performance related bonus. OFFA has agreed to continue this policy for HEFCE seconded staff and the Deputy Director of OFFA.

Pensions

OFFA does not directly contribute to any pension scheme, however during the year it paid HEFCE £16,977 (including VAT) towards the cost of contributions to the Principal Civil Service Pension Scheme. This payment related to the employer contributions of directly seconded staff to OFFA.

The PCSPS is an unfunded multi-employer defined benefit scheme notionally backed by the Government. OFFA is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2003 and details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

4 Other administration

	Period Ending 31 March 2005 £
Advisory Group: travel and subsistence costs	347
External audit fee	8,500
Consultancy and legal fees	3,120
General administrative payments	19,649
Publications, printing, publicity	40,523
Recruitment and training	2,715
Service level agreement with HEFCE:	
Accommodation and housing services	29,665
IT, Finance and HR services	52,861
Internal Audit and Assurance services	18,829
Other general expenses	19,963
Telephone and postage	489
Travel and subsistence for staff	12,001
	208,662

The external auditors received no remuneration for non audit services.

5 Notional costs

The cost of capital for 2004-05 has been arrived at by calculating a rate of 3.5 per cent to the average capital employed.

In accordance with HM Treasury guidance non-interest bearing bank balances with the Office of the Paymaster General and the Bank of England are excluded from the calculation of capital employed.

	Period Ending 31 March 2005 £
Capital employed as at 15 October 2004	0
Capital employed as at 31 March 2005	(18,051)
Average capital employed	(9,026)
Notional interest on capital	316

6 Debtors

	<i>Note</i>	As at 31 March 2005 £
Debtors	12	4,709
		4,709

7 Details of Balances at year end

	As at 31 March 2005 £
Cash held at the Bank of England: in respect of running costs	107,213
	107,213

The bank account of OFFA is held at the Bank of England in an Office of HM Paymaster General account and in consequence any interest is retained to the benefit of the Exchequer.

8 Creditors: Amounts falling due within one year

	<i>Note</i>	As at 31 March 2005 £
Running costs accruals	12	(22,760)
		(22,760)

9 Reserves: Reconciliation of movement in funds

	As at 31 March 2005 £
Opening balance	0
Surplus / (deficit) per Income and Expenditure account	89,162
Net increase in funds	89,162
Closing balance: General reserve	89,162

10 Contingent liabilities

OFFA had no contingent liabilities at 31 March 2005.

11 Related party transactions

OFFA is a non-departmental public body sponsored by the DfES, and therefore the DfES is regarded as related party.

OFFA has a service level agreement with the HEFCE, through which HEFCE provides a number of services to OFFA. John Rushforth, deputy director of OFFA, is also a director at HEFCE. During the year OFFA paid HEFCE £270,876 for the services provided through the service level agreement including the costs of directly seconded staff. Of this amount £149,558 relates to staff costs.

The Council has had no material transactions with companies whose directors are closely associated with OFFA.

Details of relationships are held in OFFA's register of interests.

12 Debtors and Creditors balances with other government bodies

	Debtors balance As at 31 March 2005 £	Creditors balance As at 31 March 2005 £
Other central government bodies	4,709	6,625
Local authorities	0	0
NHS Trusts	0	0
Total Debtors and Creditors with other Government Bodies	4,709	6,625
Other Debtors and Creditors	0	16,135
Total as per the Debtor and Creditor Notes	4,709	22,760

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