

**Office for Fair Access**  
**Annual report and accounts**  
**2016-17**

HC 267

# **Office for Fair Access Annual report and accounts 2016-17**

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Higher Education Act 2004

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# Performance report

## Overview

### Who we are

The Office for Fair Access (OFFA) is the independent regulator of fair access to higher education in England. We are a non-departmental public body, set up in 2004, and our role is to promote and safeguard fair access to higher education for people from under-represented and disadvantaged groups. We support the Director of Fair Access to Higher Education, a statutory appointment made by our sponsor department. On 1 April 2016 OFFA was sponsored by the Department of Innovation and Skills. However during the course of the year Higher Education became part of the portfolio of the Secretary of State for Education. As a result of changes under Machinery of Government, OFFA's transition to the new sponsor Department for Education (DfE) was completed in February 2017.

We take a 'whole student lifecycle' approach which recognises 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.

### 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 is a condition of being allowed to charge fees above a set level (currently, £6,165 for full-time students and £4,625 for part-time students).

Since OFFA was formed, Ministerial guidance has clarified and developed our remit. Ministerial guidance to the Director of Fair Access to Higher Education ('the Director') in 2011 set out that our priorities should be increasing social mobility, extending fair access to higher education and employment, and attracting 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. New Ministerial guidance was published in February 2016, reflecting the government's ambitions for the future, and is addressed in our current work.

### Our business

The main way we work is through 'access agreements' with universities and colleges. Access agreements are documents in which institutions set out their fees and how they intend to sustain/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 must have an access agreement approved by the Director, and they are a powerful lever for change across the student lifecycle.

We support the development of access agreements by issuing clear guidance, identifying and disseminating good practice, and engaging in ongoing dialogue with universities and colleges. We then assess, approve and monitor those agreements.

We also raise issues relating to fair access with the Government and the higher education sector as a whole, championing success and identifying those areas where progress needs to be made. Higher education providers and other organisations share or contribute to our objectives and we work closely with a wide range of partners across the sector as effectively as possible to maximise our impact.

Our *Strategic Plan 2015-2020* (OFFA publication 2015/02) contains more detail about how we fulfil our remit and sets out key performance indicators (KPIs), against which we report 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.

## **Growth Duty**

Under Section 8 of the Deregulation Act 2015, OFFA is 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, our accountability for regulatory impact and our appeals process. We demonstrate our regard for the Growth Duty through:

- our strategic aims and the objectives of the organisation
- training and objectives of frontline regulatory staff
- our leadership objectives
- our operational policy frameworks and procedures
- our operational record keeping, in line with existing procedures
- the advice we give 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 is subject to a first time reporting requirement in the financial year to 31 March 2017.

OFFA's strategic plan sets out our 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" and we champion by disseminating "evidence of success and best practice, so informing practice, policy and investment decisions". The two principal strategic aims of the Director are set out in the strategic plan and in our sector outcome

key performance objectives. Through this approach we demonstrate our understanding of the business environment both across the higher education sector and in individual institutions, and in working with institutions, we endeavour to understand the likely impact of implementing fair access and widening participation measures on their educational objectives.

Our annual assessment of institutions' access agreements is underpinned by the learning plans and objectives of regulatory staff and an operational framework of policies and procedures which are guided by best practice in the Regulators' Code. We engage with individual institutions to provide tailored guidance in the preparation of new access agreements. During the process we prioritise our case work, where it involves engagement with institutions, on criteria which are regularly reviewed. This enables a risk-based proportionate approach to our regulatory activity. In developing new policy we give regard to letters of guidance from the Minister of State for Universities, Science, Research and Innovation. We are also guided in this through informal engagement by the Director with senior managers and groups representing higher education, by our work with an access agreement reference group and by the outcomes of any consultation we publish prior to adopting a new regulatory provision.

## **Risks**

The principal risks facing OFFA are set out in the governance statement (see page 20). As a public body we are, on an ongoing basis, subject to uncertainties caused by the possibility of Government changes to higher education funding or tuition fees, new Ministerial guidance, or new legislation. In 2016 the Director received his first Ministerial guidance for five years.

Following the publication of the White Paper *Success as a Knowledge Economy: Teaching Excellence Social Mobility and Student Choice* (May 2016), the Higher Education and Research Act 2017, which is the first new draft legislation for higher education in 12 years, has received Royal Assent. The Act 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. As a small body, OFFA faces significant challenges in preparing for change in the new body.

## **Resource budget**

The annual resource budget is based on the Director's requirements as agreed with Government. The allocation is 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 forms part of our quarterly budget review process, the allocation is then subject to revision. In the past three years, OFFA's resource budget has met the Director's needs in the delivery of his statutory duties and additional guidance.

## **Grant-in-aid**

Grant-in-aid is the only source of funding to OFFA. The Director receives 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 regards income from DfE's resource Departmental Expenditure Limit as from a controlling party, giving rise to a financial interest and we therefore account 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**

The Government signalled in the White Paper *Higher education: students at the heart of the system* (June 2011) and elsewhere that funding was being granted to support the expansion of OFFA. The increase was intended for the specific purpose of achieving aims set out in OFFA's successive allocation letters. The additional resource has enabled the Director to increase the size and capability of his office, to resource the strategic plan, and to ensure OFFA's operations are suitable for the higher education landscape and regulatory environment.

In 2016-17, with improved cash management, net assets have moved to a positive position. The Director's assessment of going concern for 2016-17 takes into account this information and the ability of OFFA to mitigate financial business and operational risks.

As set out in the Higher Education and Research Act 2017, a new non-departmental public body, the Office for Students will embody new statutory functions relating to fair access and participation and DfE will put arrangements in place for the orderly winding up of OFFA. 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. At this time, 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 does not spend his grant-in-aid allocation in advance of need. OFFA maintains cash balances in-year and at year-end, against a working capital guideline of a maximum of one month's expenditure.

In the three years to 2016-17, OFFA's administration budget has increased by more than 60 per cent, although expenditure remains very low for a public body at just under £2.0 million in 2016-17. Trends in expenditure over the last four years reflect the allocation of additional resource to the current Director, permitting the recruitment of additional staff. This has enabled OFFA to manage a large increase in the number of institutions submitting access agreements, to implement its new strategic plan and to improve internal governance. In 2016-17, OFFA's budget and expenditure have increased by more than 15 per cent over 2015-16 as the Director commits further resource to addressing his statutory duties and the Ministerial guidance business case. From 2016-17 our non-pay expenditure on research and development has 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>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>
	<i>(£,000)</i>	<i>(£,000)</i>	<i>(£,000)</i>	<i>(£,000)</i>
Grant-in-aid	1,313	1,630	1,653	1,958
Actual expenditure	1,382	1,603	1,621	1,927
Year-end cash balance held	8	31	121	164
Taxpayers' equity	(69)	(42)	(10)	21

## Sustainability

OFFA has a service level agreement with the Higher Education Funding Council for England (HEFCE) under which we receive office accommodation, infrastructure, finance and human resources services. For this reason it is impractical for OFFA to have its own corporate social responsibility policy and we are covered by HEFCE's corporate social responsibility policy<sup>1</sup>. HEFCE publishes data on carbon emissions, utilities consumption and expenditure, waste disposal to landfill, recycled paper, and biodiversity action planning in its annual report.

## Performance analysis

This section sets out the progress made towards the objectives contained in our *Strategic Plan 2015-2020* (OFFA publication 2015/02).

The sector outcome objectives measure progress against our aims at a high level. They refer to students from low participation neighbourhoods, but we continue to take 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 our primary regulatory purpose to safeguard and promote fair access, recognising that this is only meaningful if we also seek equality of outcomes for students from disadvantaged backgrounds throughout their studies and as they prepare to progress to employment or postgraduate study.

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<sup>1</sup> Available at [www.hefce.ac.uk/about/csr/](http://www.hefce.ac.uk/about/csr/)

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

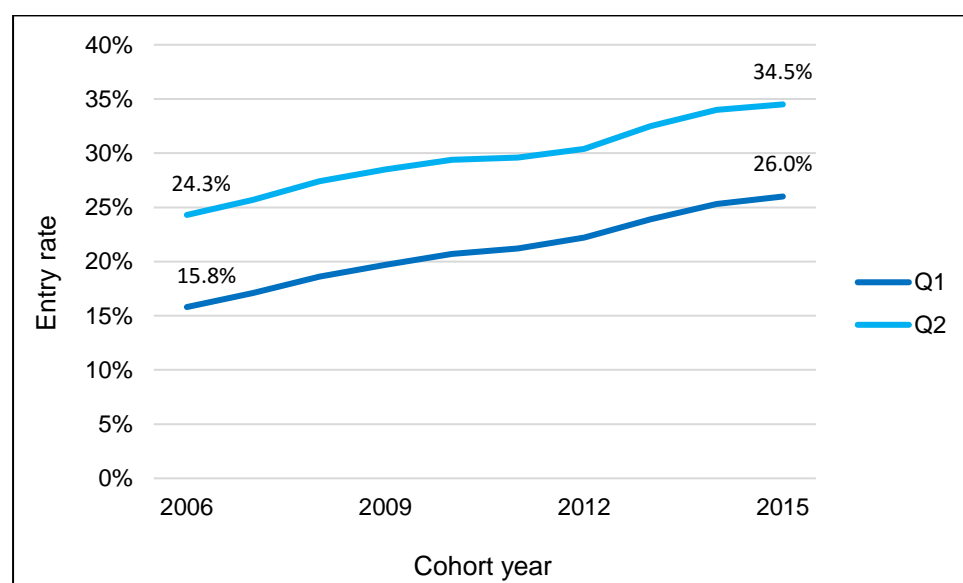
### Sector outcome objectives

**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 our strategic plan, our targets are 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 2015 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 per cent, a proportional increase of 65 per cent. Over the same nine year period, the entry rate from quintile 2 increased from 24.3 per cent to 34.5 per cent, a proportional increase of 42 per cent.

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



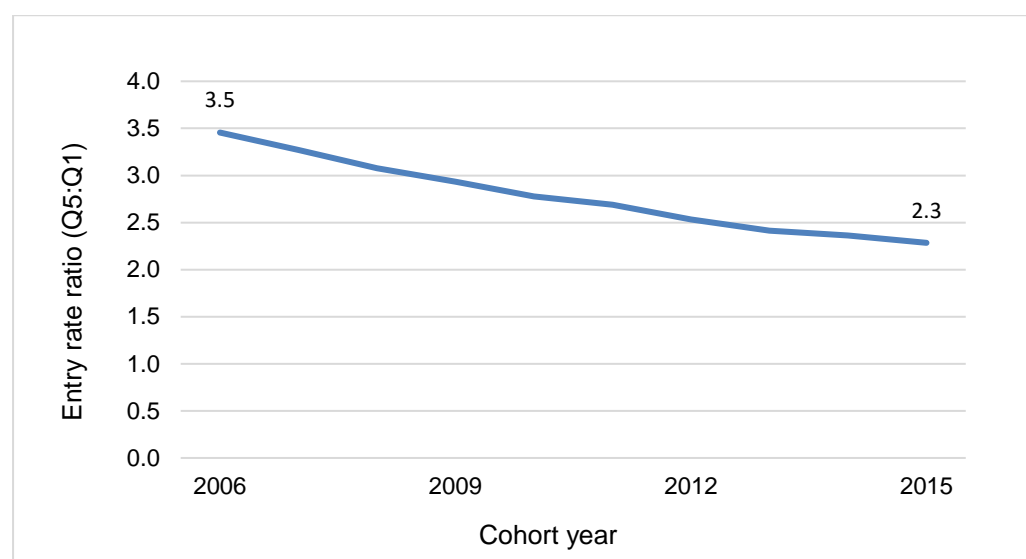
Source: UCAS *End of cycle report 2016: UCAS analysis and research* (December 2016)

While entry rates for young people from disadvantaged backgrounds are at record levels, in the past year, the rate of progress has slowed; between 2014 and 2015, the entry rate for most disadvantaged young individuals increased by 0.5 percentage points compared with an increase of 1.5 percentage points between 2013 and 2014. Through our guidance to institutions, we have challenged institutions

to increase the pace of change by taking a more strategic, evidence led approach to their access agreements, and setting more stretching and ambitious targets.

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 2.3 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**



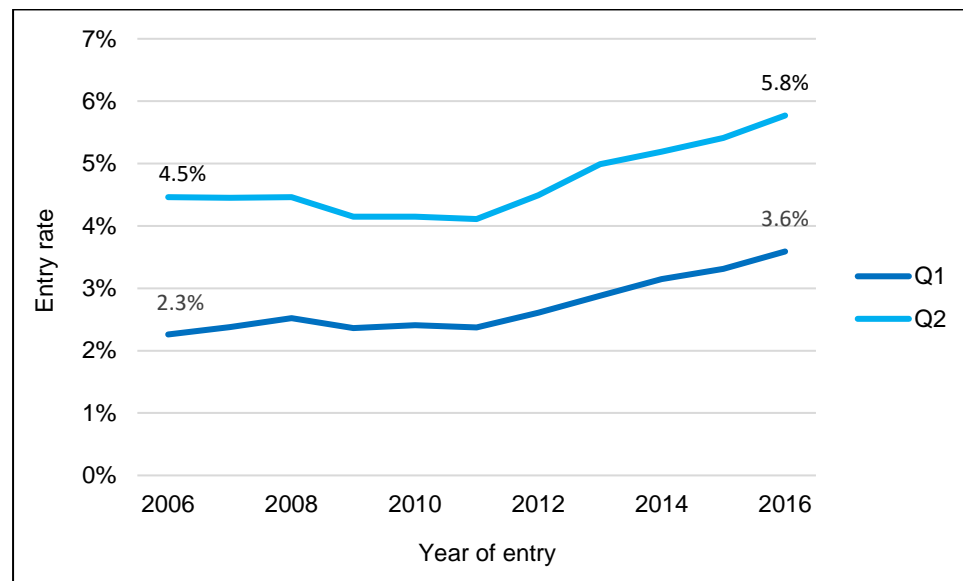
Source: UCAS *End of cycle report 2016: UCAS analysis and research* (December 2016)

**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 our strategic plan, our target is to achieve, by 2019-20, 5 per cent of young people from POLAR quintile 1 and 7 per cent from POLAR 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 2016, entry rates for 18 year-olds in higher tariff English higher education providers increased from 2.3 per cent to 3.6 per cent for POLAR3 quintile 1, and from 4.5 per cent to 5.8 per cent for quintile 2 (Figure 3). The current quintile 5 to quintile 1 ratio is 5.9:1, a slight decrease from last year (6.3:1). 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 2016: UCAS analysis and research* (December 2016)

**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**

Our target, revised in 2016<sup>2</sup>, is 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 2014-15, 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 lower than the continuation rate for 2013-14 entrants, when 91.9 per cent of young entrants continued in higher education after one year (see Figure 4).

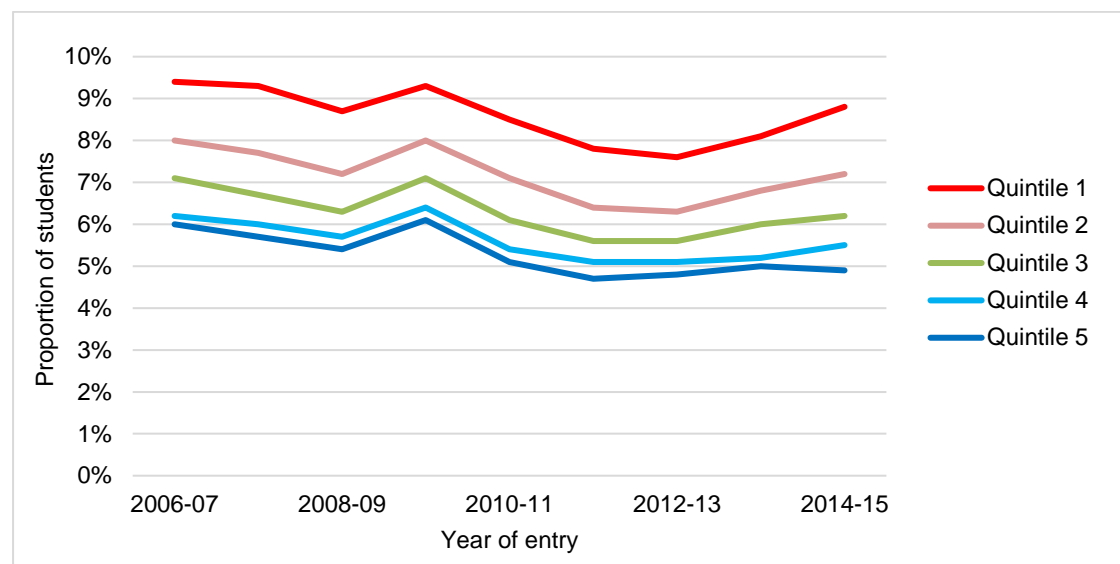
2014-15 was the second consecutive year that we have seen increases in the non-continuation rate, after several years of progress in improving student retention. It was also particularly concerning that the non-continuation rates for young people from the most disadvantaged backgrounds rose faster than for other groups.

To address this, we have asked institutions to take a more evidence led approach in developing their latest access agreements, investing in activities that will have the greatest impact across the student

<sup>2</sup> [https://www.offa.org.uk/wp-content/uploads/2016/07/56464-HC-570\\_WEB.pdf](https://www.offa.org.uk/wp-content/uploads/2016/07/56464-HC-570_WEB.pdf)

lifecycle. We have also set out an expectation that institutions should set at least one target for each stage of the student lifecycle where they have identified priorities they need to address.

**Figure 4: Proportion of young students no longer in higher education after one year (non-continuation rate) in England, by POLAR3**

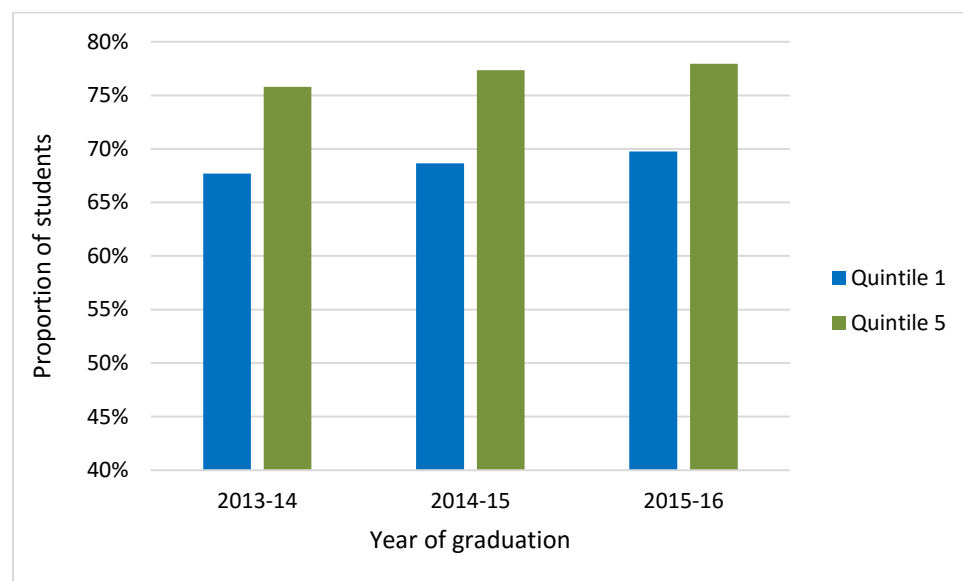


Source: HESA and HEFCE

**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**

Data on degree outcomes for undergraduate students suggest that a smaller proportion of the most disadvantaged students graduate with a first or upper second class degree compared with the most advantaged students. In 2015-16, 70 per cent graduates from the most disadvantaged areas (quintile 1) achieved a first or upper second degree compared with 78 per cent from the most advantaged areas (quintile 5). This gap in degree outcomes between the most advantaged and the most disadvantaged has remained at 8 percentage points for at least the last three years (Figure 5).

**Figure 5: Degree outcomes for most disadvantaged (POLAR3 Q1) and most advantaged (POLAR3 Q5) students in England**

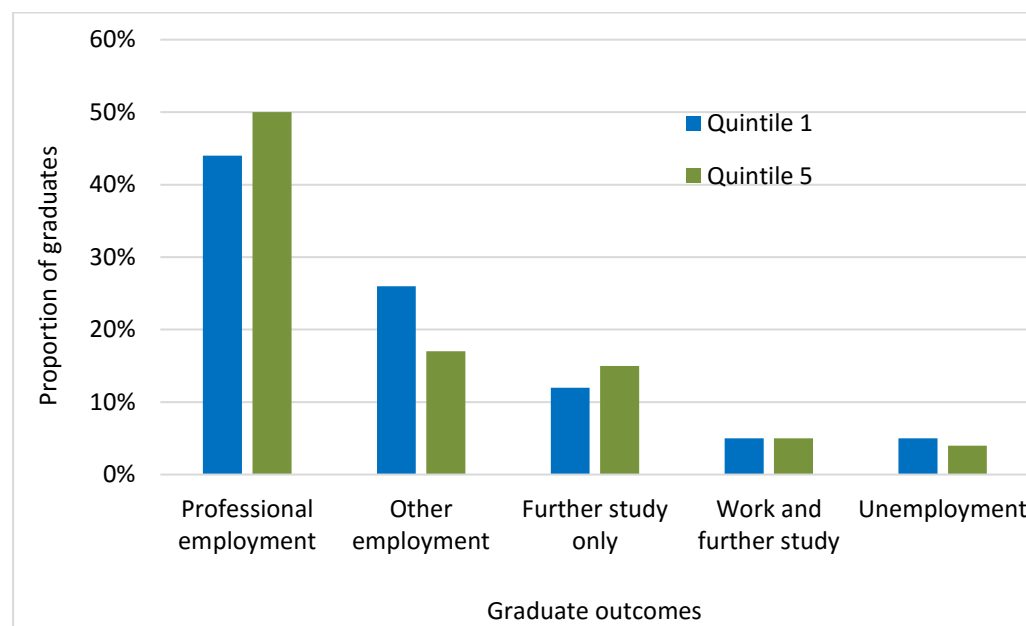


Source: HESA and HEFCE

**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**

Latest data on employment outcomes suggest that a smaller proportion of graduates from the most disadvantaged backgrounds enter professional employment compared with the most advantaged students. The proportion of graduates from disadvantaged backgrounds taking up further study is also smaller and, for the same group, unemployment rates have remained consistently higher than the most advantaged group (Figure 6). However, over the last three years, the professional employment rate for the most disadvantaged students has increased by 5 percentage points between 2013-14 and 2015-16 and the unemployment rate over the same period has decreased by 3 percentage points. The gap between the most disadvantaged and most advantaged, on these measures, has remained largely unchanged.

**Figure 6: Employment and further study outcomes for students from the most disadvantaged (POLAR3 Q1) and most advantaged (POLAR3 Q5) areas in England in 2015-16**



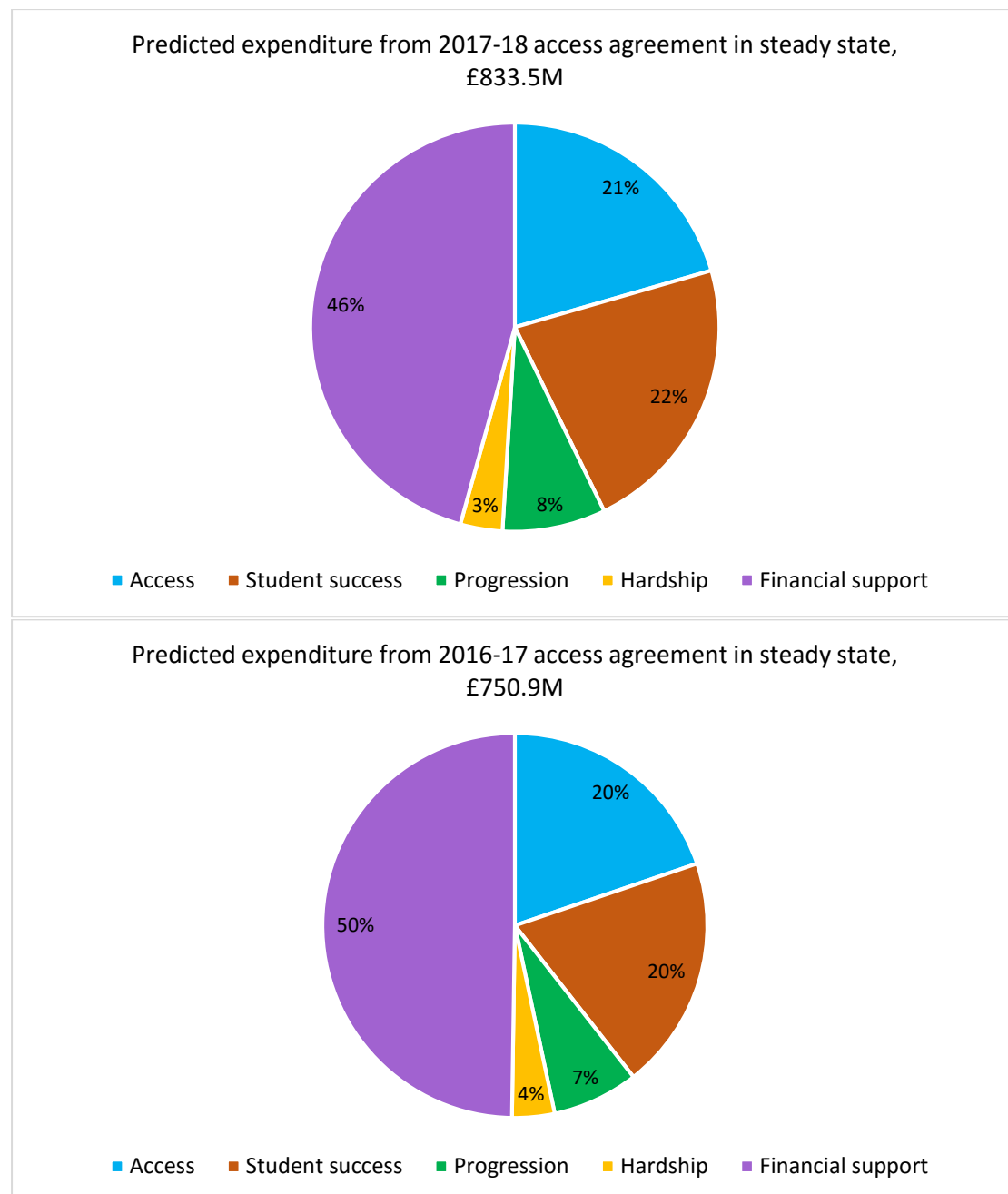
Source: HESA and HEFCE

### 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 2017-18, 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: Proportional breakdown of sector-wide access agreement expenditure (predicted) by type of activity according to 2016-17 and 2017-18 access agreements**



Many institutions have told us in their access agreement monitoring returns how they are undertaking deeper evaluation of their activities and using evidence better to inform their strategies and identify priority areas for development. This year, we have introduced a more in-depth analysis of institutions' monitoring returns which will give us a greater understanding of the institutions' evaluation practice.



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

Embedding evidence led practice has been a key priority for us in 2016-17. We have 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. We have commissioned and completed five separate projects, including one in collaboration with DfE. Projects include evaluation of the impact of financial support and evaluation of the impact of outreach activities, the whole institution approach to access and participation and outreach to mature students. In addition we have completed a project, working with the Higher Education Statistics Agency (HESA), to provide data direct to institutions for use in evaluation. Expenditure on commissioned research was £137,237 in 2016-17 (£29,789 in 2015-16).

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

OFFA continues to act as a high profile champion for fair access and participation issues. Our work this year has helped highlight the progress that has been made in the sector on fair access, while also recognising the significant challenges which remain. Our communications work, across a range of channels, has helped ensure that fair access is an issue which remains high on the public and political agendas. We work closely with a range of organisations across the sector to help with this work. During the year we have 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 remain our key lever for change, and our strategic access agreement guidance clearly sets out our expectations to institutions. We have redesigned our website to ensure that those responsible for drawing up access agreements have easy to access guidance and other resources. Our evidence and good practice work – for example around financial support – directly supports providers to put together strategic, evidence led access agreements. We have 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.

We have continued to use qualitative data analysis software to interrogate institutions' access agreements and monitoring returns. This has given us a much more in-depth understanding of institutional approaches to fair access and helped us to share evidence and good practice and celebrate successful outcomes more effectively.

Our topic briefings are an important instrument 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 2016-17 OFFA developed a topic briefing on White British students from low socio-economic status groups, published in April 2017. Topic briefings give an overview of what we are seeing in access agreements, provide examples of innovative and effective practice, and pose 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 is essential in enabling us to understand emerging trends in relation to access and student success.

A key aspect of this is ensuring that universities and colleges provide accurate data to us in their access agreements and their monitoring returns. We have worked closely with universities and colleges over the past year to improve the consistency of the data that they submit to us, and continue to develop this work further during 2017.

We also worked with HESA and the Student Loans Company to strengthen the robustness of the data that institutions provide to us, and explored ways in which we can bring together data 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. We are working with these organisations not only to source the data for our purposes, but to build a collective understanding of widening participation data within the sector.

We have continued to develop our monitoring outcomes publications and access agreement decisions report in order to focus more closely on our 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, we have worked closely with HEFCE to align our work to support widening access and student success. For example, we have worked to align our work on evidence and effective practice, and to ensure that activity delivered through access agreements dovetails closely with work funded through the National Collaborative Outreach Programme.

We have also continued to work closely with HEFCE on our 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 operates 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 2016-17. OFFA is reporting against the Business Impact target in May 2017 and a report against the Growth Duty is included in this Report and Accounts.

We delivered access agreement decisions for 2017-18 by our deadline of 31 July 2016 to all institutions that submitted a complete access agreement by our submission deadline of 27 April 2016. We have used feedback from institutions on our access agreement process this year (access

agreements for the academic year 2018-19) to inform and improve the quality of our dialogue with institutions in future processes.

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

Work towards this objective in 2016-17 has included developing a system of strategic priorities and an organisation-wide operating plan arising from our strategic plan. Furthermore, we are implementing continuous monitoring of our operational risks and progress against our KPIs.

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

In 2016-17 we used nearly 70 per cent of our annual budget allocation, including programme funds, for frontline services and policy development. We have kept our back office costs to under 25 per cent of our annual budget by receiving office accommodation, infrastructure, facilities and professional services through an agreement with HEFCE and creating in-house capability for financial reporting, governance and information management. Our internal analysis and quarterly reports to Government have consistently shown expenditure within 5 per cent variance of the annual budget and cash flow forecasts have ensured we maintain our working capital within limits agreed with DfE.

In 2016-17 we have made savings on the resource budget by mapping our human resource more closely to our operational objectives and improving our budgeting and procurement processes. We will strive to improve value for money still further and in 2017-18 all budget elements will be zero-based or benchmarked.

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

Over the past year, we have introduced cultural change and staff development programmes to develop the professionalism, motivation and capabilities of our staff, with a strong focus on enabling us to deliver our strategic plan. Each member of staff has an agreed learning and development plan which is built into the annual budget. Performance is measured and supported through individual annual performance reviews.



Professor Les Ebdon CBE DL  
Director of Fair Access to Higher Education

Dated: 7 July 2017

# 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 is subject to our annual audit opinion for 2016-17. We are 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 £78,520, which is non-pensionable.

## Corporate Governance report

### Director's report

The Director of Fair Access to Higher Education at 31 March 2017 was Professor Les Ebdon. The Director is the single Accountable Person for OFFA, and has no Board of Directors. Neither the Director nor any member of the office has made a donation to any political party 2016-17.

### Payment of creditors

In line with Government guidance, including the Late Payment of Commercial Debt Regulations which applied from 18 March 2013, OFFA is fully committed to the prompt payment of its suppliers' invoices and supports the Better Payment Practice Code. OFFA aims to pay invoices in accordance with agreed contractual conditions or, where no such conditions exist, as soon as possible. All suppliers have been notified of this commitment, through HEFCE, and have been given clear guidelines to help OFFA achieve this aim. Throughout the year, on OFFA's behalf, HEFCE monitors actual performance against a 30 calendar day target. During the year ending 31 March 2017, the target was met for 100 per cent of invoices (2015-16: 98 per cent) for OFFA.

OFFA also monitors 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 98 per cent in 2016-17 (92 per cent in 2015-16). During 2015-16 our performance against a five-working-day payment target was 89 per cent (83 per cent in 2015-16).

A copy of the prompt payment code can be found at [www.promptpaymentcode.org.uk](http://www.promptpaymentcode.org.uk).

### How our 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 2016-17.

## **External audit information**

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

## **Diversity and equality**

OFFA, through its service level agreement with HEFCE, follows 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, is 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 are delivered and in the way the organisation is managed.

## **How we consult employees**

OFFA, directly and through 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 organisation, taking into account the differing views and opinions of colleagues.

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

OFFA, 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 its 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.

## **Personal data related incidents**

OFFA holds only personal data related to staff contracts and staff pay details. We have not had any personal data related incidents.

## **Statement of the responsibilities of the Director of Fair Access to Higher Education**

Under Section 8 of Schedule 5 to the Higher Education Act 2004, as the Director of Fair Access to Higher Education, I am 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, with the consent of the Treasury. 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 my judgement the annual report and accounts as a whole is fair, balanced and understandable.

The Accounting Officer for DfE has designated the Director as the Accounting Officer for OFFA. My relevant responsibilities as OFFA Accounting Officer, including my responsibilities for the propriety and regularity of the public finances for which I am answerable and for the keeping of proper records, and for safeguarding OFFA's assets, are set out in HM Treasury's guidance *Managing Public Money*.

In preparing the accounts, I am required to comply with the requirements of the Government Financial Reporting Manual (FReM) 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 have been followed and disclose and explain material departures in the financial statements
- prepare the financial statements on a going concern basis, unless it is inappropriate to do so.

I confirm that I am not aware of any relevant audit information of which the entity's auditors are unaware. I have taken all the necessary steps to make myself aware of any relevant audit information and to establish that OFFA's auditors are aware of that information. I also confirm that I take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

## **Governance statement**

### **Scope of the Director's responsibility**

The office of the Director of Fair Access to Higher Education, commonly known as the Office for Fair Access (OFFA), is an executive non-departmental public body and an Arm's Length Body (ALB) of the Department for Education (DfE). As Accounting Officer, accountable to the Secretary of State for Education, I have stewardship of the financial resources provided to me and thence to OFFA. It is my responsibility to maintain a sound system of governance and internal control that supports the achievement of OFFA's policies, aims and objectives with openness and integrity in accordance with HM Treasury's guidance *Managing Public Money* including recent guidance on risk management and the reform of relationships between Government and its ALBs. I am also responsible for planning the use of public funds allocated to me 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 my Ministerial guidance.

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

The Governance Statement, for which I take personal responsibility, 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 is used in the delivery of my objectives, the decision making process and the management of risk. It also explains how I comply

with the principles of good governance. I base The Governance Statement on data which I receive from my staff, Head of Internal Audit and Special Advisors. I receive data on OFFA's performance against the annual business plan, financial management, risk management, OFFA's compliance as a regulator and on other matters relevant to the Statement in regular meetings and at an annual governance meeting, when I formally approve reports based on these data sources. For this reason I place confidence in the data provided to me.

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

The Office for Fair Access was established in October 2004 under Part 3 of the Higher Education Act 2004. This legislation established the post of the Director of Fair Access to Higher Education ('the Director') who is appointed by the Secretary of State. The powers and duties under the Act are invested in the Director. I as Director must perform my duties in such a way as to promote and safeguard fair access to higher education. I have a duty to issue guidance to institutions as to the matters I will have regard to in deciding whether to approve their access agreements. I may also identify 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 may give advice about such practice to publicly funded institutions. I also have a duty to protect academic freedom, including in particular the freedom of institutions in relation to course content and admission decisions.

### **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 has no governing body, board sub-committees or Audit Committee. Since OFFA's budget has grown during my term of appointment I have appointed two non-executive officers. These Special Advisors on finance and regulatory affairs provide me with an additional source of scrutiny and challenge over financial management and OFFA's business as a statutory non-economic regulator. There are no positions in the Director's register of interests which conflict with my management responsibilities. As Director I have sole responsibility for the organisation and my Special Advisors and Advisory Group do not constitute a management board.

### **Financial authority and accountability**

I am independent from Government and exercise my duties in accordance with legislation. In doing so I must have regard to any guidance given to me by the Secretary of State. Any reports required of me by the Secretary of State must also be laid before Parliament. I maintain regular interaction with DfE ministers and officials in performing my duties. From time to time I receive letters of guidance from ministers setting out the direction of Government policy.

I am accountable to the Secretary of State and thence to Parliament. I have a framework document with DfE that sets out the broad management and financial framework within which I will operate. My financial authority has been delegated to me by the Permanent Secretary of DfE who is its Accounting Officer. OFFA adopts the Higher Education Funding Council for England's (HEFCE) financial control framework, as applied to the processing of financial transactions, a service which is delivered to OFFA as part of our service level agreement with HEFCE (as are other services, such as

human resources and IT support). OFFA takes ownership of its own financial control framework, and assurances received from HEFCE about the delivery of these financial services contribute to OFFA's own internal controls.

OFFA publishes an Annual 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, we post a staff list and 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 2016-17 the only 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.

I have unlimited authority to spend within agreed budgets, except for certain items which are 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 is unlikely to approach the first three of these limits. These spending limits have not been breached in 2016-17.

### **Internal control**

I am ultimately responsible for ensuring that the system of internal control is effective in managing OFFA's risks. I am supported in this task by the Assistant Director and the management team. The system of internal controls extends to the services provided by HEFCE through our service level agreement. For this reason an important part of the control environment is my monitoring of 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.

An internal audit function reports to the Assistant Director, the Special Advisors and to me for items of major significance. I have agreed that the Head of Internal Audit has the right of direct access to the DfE Head of Governance and Risk if appropriate. This right of access is 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.

I carry out an annual review of the internal controls relating to performance against OFFA's key performance indicators for its operational activities, risk and crisis management, financial regularity and propriety and regulatory compliance.

### **Financial management**

I observe 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. OFFA has its own policy on fraud monitoring and prevention and follows HEFCE's policy on the Prevention of Bribery, Fraud and Other Improper Conduct. Financial forecasting for the short and medium term are undertaken by the Assistant



Director, supported by the Finance and Governance Manager through a costed plan of operations. The most significant items of expenditure in 2016-17 in order of amount are pay, the service agreement charge to HEFCE, which is reviewed annually, and expenditure on research consultancy work.

From July 2016, OFFA has agreed with DfE that its grant-in-aid should be separated into two streams which are resource admin (recurrent) and research and development (classified as capital funding by HM Treasury under the European System of Accounting 2010). Our capital funding provides for non-pay expenditure for our commissioned research and other research activities. The Finance and Governance Manager (under delegation from the Assistant Director) monitors 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 are reviewed at the end of each quarter, in line with the requirements of DfE, and I am made aware of any material issues arising.

OFFA'S annual pay remit is negotiated with DfE jointly with HEFCE. However decisions relating to OFFA's pay arrangements and human resource rest entirely with me, including decisions about the allocation of non-consolidated (performance-related) pay within HM Treasury rules.

### **Value for money**

Value for money principles are embedded in our processes and activities, our corporate structure, and through the appraisal of staff and management performance. I am expected by Government to deliver good value on my aims and objectives. In this connection, I am required to report in person on performance twice annually to the DfE Director General of Insight Resources and Transformation.

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

### **Policy advice**

I have access, where I consider it useful or necessary, to an Advisory Group whose purpose is to assist me by providing 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 are entitled to a fee for meetings attended and work completed.

In 2012-13 I reviewed the terms of reference, size and membership of the Advisory Group and from 2013-14 I increased its size to a membership of 12 to provide a broader range of expertise. In 2015-16 OFFA's Special Advisors joined the group. In the same year I introduced a policy to conduct a regular review of the skills of the current group members with a view to mapping existing against desired skills for the group as a whole. This has led to the appointment of new members with skills which will improve the breadth and quality of our knowledge. The group's current membership can be found at [www.offa.org.uk/about/offa-advisory-group](http://www.offa.org.uk/about/offa-advisory-group). It includes experts in access, student success and progression from across the sector, including the student interest, higher education providers, schools, the third sector and higher education policy. The group met three times in the current

accounting period. OFFA discusses current strategy and policy matters with, the DfE Higher Education Directors and Policy Team on a regular basis.

### **Equality and diversity**

OFFA has specific legal obligations to promote equality under the Equality Act 2010. OFFA is 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 is applied in the staff guide, recruitment and human resource management which are operated by OFFA with the support of HEFCE. To fulfill its external obligations OFFA promotes equality and diversity as part of its wider promotion of equality of opportunity in higher education, for example the expectations it conveys 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 sets out our purpose, our approach to regulation and how we expect universities and colleges to work. It contains aims and key performance indicators (KPIs) which have in turn determined our approach to governance and risk management. The system of internal control for 2016-17, which accords with guidance from HM Treasury and DfE, is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve my aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system is 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 for the year ended 31 March 2017 and has been in operation to the date of the annual report and accounts.

### **Approach to risk management**

Risk awareness is embedded in OFFA's culture and operating strategy and risk management is addressed by the senior management team. The Internal Audit service reviews our risk management arrangements each year as part of the internal audit plan and inputs advice on our risk management and internal controls generally. Risks are addressed through a process which is documented in a risk register that is both high level and operational. I and my staff take an approach of ensuring that risk management is embedded in policy development. Where appropriate, the risks of policy implementation are subject to discussion and consultation with stakeholders at development stage, including with DfE as part of our regular dialogue with Ministers and civil servants. Through this approach it is possible for me to receive assurance through the Three Lines of Defence (the review of front-line business processes, my direct oversight of management activity and an independent line of assurance and challenge from internal audit and the Special Advisors).

The risk register is formally reviewed three times during the year. Risks are identified and classified according to their probability, business implications and mitigations, and contingencies are planned and implemented. With my staff, I aim to identify and manage all strategic risks as effectively as possible, recognising that I may have limited influence in mitigating some of them, as I deliver OFFA's

aims through my interactions with universities and colleges and other higher education stakeholders. Key existing and emerging risks are discussed with my Advisory Group where necessary.

OFFA's risk management process and high level risk register have been revised since the date of the last annual report to include 12 strategic risks. These address the risks we foresee in making progress against the KPIs against which we report in 2016-17. These high level risks also reflect some of the uncertainties of operating in a period of transition and government policy development in higher education. In addition, in 2014 OFFA came under the scope of compliance of the Regulators' Code and in 2017 of statutory compliance under the Enterprise Act 2016, whose provisions we now address within our KPIs. As OFFA's resource and staff numbers have grown, we have extended our review of governance and management in 2016-17 and there has been an organisation wide review of its business culture and planning processes.

### The risk environment

Since OFFA is a small organisation, I attach importance to gathering and updating information on its environment in the review of strategic risks. For this purpose each year we conduct a systematic analysis of emerging issues. Our risk register represents the areas of risk that we need to be aware of and, where appropriate, mitigate against to ensure that we deliver our business plan and strategy. At 31 March 2017 the number of strategic risks on a high rating had reduced from eight to four. Significant risks and their status at the year-end date are listed in the table below:

Strategic risk		Plan of risk mitigation
Strategic risk 1a	If our KPIs are not SMART and the data available to us does not accurately measure our own and the sector's progress towards our Strategic Plan objectives then they will no longer indicate progress towards our vision nor provide a basis for us to challenge institutions to achieve more ambitious outcomes for widening participation and social mobility and to accelerate progress towards those outcomes.	OFFA will undertake a full review of its internal and external data sources and review the KPIs which were introduced at the start of the current strategic plan with a view to better informing internal and HE sector performance measures and our advice and guidance. We are also investigating how we can use external data sources better to support our processes.
Strategic risk 1b	If the information we collect, the way we gather it and the analyses we carry out are not fit for purpose then our strategic aims will not be supported.	We have taken further steps to ensure access agreement data are assessed in a robust manner. We introduced a more consistent approach to the way we measure the progress institutions have made against targets in the monitoring process. We have developed our use of qualitative data from institutions, and are using this information to provide improved evidence for use in our feedback to institutions.

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.	We have continued to encourage evidence led expenditure and faster progress towards their targets. We are ensuring institutions are setting stretching targets which will contribute to the progress of the sector. As part of this we ensure that a high level of ambition is maintained. We have increased our challenge to institutions on self-evaluation measures. We are working regularly with institutions and sector bodies to address issues and update guidance. We have also improved the support for institutions to evaluate and reflect on good practice.
Strategic risk 3	If OFFA has a poor understanding of the salient evidence which we require to support and challenge institutions, then our ability to influence others and advise on policy development will be curtailed.	We are developing research projects against the strategic plan objectives in collaboration with other funders including Government and institutions. We expect to increase the number of projects and research and development funding resource year on year. We are carrying out regular reviews and calls for evidence to ensure our knowledge is up to date and that we understand where the gaps are.
Strategic risk 4	If OFFA fails to set the research agenda in its messages to institutions then we will fail to stimulate progress in research and the application of evidence from research in its future guidance.	We have worked to increase the steps we take to learn more about potential barriers to institutions responding to OFFA guidance and policy, including availability of data. This year we have worked in partnership with those in the sector to deliver more research objectives. We are enhancing our communication strategies for the dissemination of our research results, creating new tools for evaluation and challenging institution to make progress in setting ambitious and measurable targets.
Strategic risk 5	If OFFA's messages are not clear and are not delivered effectively then our	OFFA is further developing its communications and stakeholder

	priorities and the rationale behind them will not be understood.	engagement plans to ensure that we keep access high on the news and political agenda. We are continuing to improve and refine the way we present guidance to institutions, in order to make sure that OFFA's website is a useful tool for institutions which helps to drive change. We are also improving staff understanding of who our key stakeholders are and our stakeholder communications strategy.
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 to date, as negotiations have been successful and no sanctions have needed to be imposed. OFFA sets high expectations for the higher education providers it regulates and to ensure this continues, policy decisions are 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. With increased expectations on OFFA from government, the risk of dispute may increase in future, in particular through individual complaints.
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 resulting in a loss of efficiency and effectiveness.	OFFA is implementing a cultural change programme that includes the development of clearer roles, new working practices and a personalised learning and development plan. Central to this is an emphasis on a culture of internal collaboration and clear communication, clear prioritisation, the empowerment of staff and an emphasis on success.
Strategic risk 8	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.	We are seeking new opportunities to link Value For Money objectives to KPI outcomes through metrics, working towards improving the efficiency of resource use across OFFA's teams. We have also pioneered collaborative activity that draws investment from the HE sector with minimal resource requirements to us

		and promoted evaluation of impact of expenditure and outcomes by institutions
Strategic risk 9	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 has undertaken a Strategic Plan commitment to complete a top-down review of its corporate and operational planning process, building in the outcomes of a business process review and enabling more effective project appraisal, prioritisation and management co-ordination across OFFA's six functional teams. An extended planning horizon forms the basis of the Corporate Plan for 2015-2018.
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 is experienced in responding swiftly to central policy changes that have required the rapid redeployment of resources in order to deliver outcomes to Government expectations. The Director meets regularly with DfE officers concerned with policy and with other organisations in the higher education policy and operational landscape, to review the environment and discuss emerging threats and opportunities. In improving its capability in managing stakeholders, OFFA is gathering high-quality intelligence about its environment and increasingly using scenario planning.
Strategic risk 11	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 is working 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 are both integrated and highly visible across the functions, regulatory policy and framework, and the corporate form of the new organisation.
Strategic risk 12	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 higher education sector, and the loss of efficiency and effectiveness.	OFFA recognises the paramount importance of good information governance and risk management reflecting a new data landscape in higher education and the DfE digital transformation. We are creating new policies on information management,

		data security, and knowledge and information awareness and reviewing our resource in this area.
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In addition to managing its strategic risks, OFFA continues to address the changes required to deliver its Strategic Plan 2015-2020 and the letter of guidance from the Secretary of State and Minister which I received in February 2016. These include increasing operational capability to deliver work over a wider scope and to provide greater challenge and support to the sector. I see partnership working with other organisations, with institutions and with HEFCE as important in implementing the National Strategy for Access and Student Success and promoting the student voice in higher education, as presenting further opportunities and benefits to OFFA as it seeks to work towards the objectives for higher education in DfE's corporate plan.

### **Data security**

There have been no reportable losses of personal data in this period.

### **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 2016-17 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**

As Accounting Officer I have responsibility for conducting an annual review of the effectiveness of the system of the organisation's governance, risk management and internal control. This review is informed by the work of my Finance and Governance Manager and the Assistant Director, other managers and internal audit and takes 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.

# Remuneration and staff report

## Director of Fair Access to Higher Education

All parts of this report are subject to audit.

### Salary and pension entitlements for the Director

The Director of Fair Access to Higher Education ('the Director') is appointed by the Secretary of State for Education. The remuneration of the Director is determined by the Secretary of State for Education. The Director's role is a part-time position. Since May 2011 the post has been 0.6 FTE (i.e. three days a week). The Director's letter of appointment states that his appointment is classed as an "Office Holder" for tax and National Insurance purposes and, as such, under Section 19(1) Income and Corporation Taxes Act 1988, his salary is liable to tax under Schedule E and attracts Class 1 National Insurance liability. His earnings will not attract any benefits from the Principal Civil Service Pension Scheme.

### Pay Multiples

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 2016-17, (no benefits in kind nor bonuses in 2015-16). 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 term to 31 March 2018. His remuneration is 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 banded remuneration of the highest-paid director (Professor Les Ebdon, The Director of Fair Access) in the financial year 2016-17 was in the band 75-80 £000 (2015-16, 75-80 £000). His fulltime equivalent salary was in the band 130-135 £000 (2015-16, 125-130 £000). This was 3.7 times (3.9 times in 2015-16) the median remuneration of the workforce, which was £35,691 (2015-16, £32,717). In 2016-17, no employee received remuneration in excess of the highest-paid director (2015-16, 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. The difference between the remuneration ratio of 2016-17 and that of 2015-16 is mainly because a new senior management pay grade has been created and the Assistant Director's



pay grade has been reviewed and adjusted. The Director's salary remains unchanged. There has been no impact of any pay freeze on the pay multiple reported in this section.

### Advisory Group

OFFA has maintained an Advisory Group since 2005 to provide the Director of Fair Access and OFFA with expert and impartial advice on policy issues, procedures and individual access agreements. Further details of the group and its current members are provided on the OFFA website at [www.offa.org.uk/about/offa-advisory-group/](http://www.offa.org.uk/about/offa-advisory-group/). Advisory Group members are 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 is not pensionable. Members are 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, waive their right to claim a fee. Members claiming a fee elect to donate it directly to a charitable cause. Details of payments are shown below.

	Year ended 31 March 2017	Year ended 31 March 2016
	£	£
Dr John Selby, Chair	0	0
Femi Bola	0	0
Sir Ivor Crewe	0	0
Dr Penelope Griffin	750	500
Jude Heaton	-	250
Sarah Howls	0	0
Alison Levey (Special Advisor)	750	750
Dr Lee Elliot Major	0	0
Steve Mc Ardle	500	500
David Malcolm	0	0
Nick Hillman	1000	0
Carol Prokopyszyn (Special Advisor)	0	0
David Ruebain	0	0
Fiona Waye	0	0
Jo Wiggans	0	500
<b>Total</b>	<b>3000</b>	<b>2500</b>

The Chair has formally waived his fee. Other members of the group have made informal decisions not to claim.

## Changes to the Advisory Group

Jude Heaton resigned from the group in September 2015

## 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 may claim an honorarium under their terms of reference. Both Special Advisors are members of the Advisory Group and may also claim a members' fee.

## Staff report

### OFFA's structure

The Director is supported by the Office for Fair Access, with a management team comprising the Assistant Director and nine senior managers (four women, one of whom was on maternity leave at 31 March 2017, and five men). At 31 March 2017, OFFA's headcount of staff on the payroll, excluding the Director and including those on maternity leave for part of the year to 31 March 2017, was 31 (21 women and ten men). 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.

	Permanently-employed staff	others
Directly employed	23.3	0
other (agency staff)	0	0.6
Staff engaged on capital projects	0	0
<b>TOTAL</b>	<b>23.3</b>	<b>0.6</b>

Salaries of these staff were as follows.

	<b>2016-17</b>	<b>2015-16</b>
	<b>£ 000</b>	<b>£000</b>
	<i>TOTAL</i>	<i>TOTAL</i>
Directly employed	1,234	1,017
other (agency staff)	33	43
Staff engaged on capital projects	0	0
<b>TOTAL</b>	<b>1,267</b>	<b>1,060</b>

Staff costs include 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

are 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 consultancy expenditure amounted to £137,237, all of which was research and development work related to OFFA regulatory policy.

There were no off-payroll engagements, nor were any exit packages paid in 2016-17 (no off -payroll engagements nor exit packages in 2015-16).

### **Sickness absence rate**

OFFA monitors sickness absence for all staff directly employed by OFFA through HR reports received under our service level agreement (see page 21). 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 is low compared to other organisations. An analysis of staff sickness absence data for OFFA indicates that 6.0 average working days per staff year was lost in 2016-17. The most recent data for all UK public service bodies (Civil Service Sickness Absence Figures for the year ending 31 March 2016) indicates an average of 7.2 working days lost per staff year.

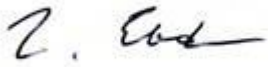
### **Staff policies**

OFFA operates staff policies which are common to HEFCE, which provides OFFA's human resource service under our service level agreement. HEFCE's recruitment policy gives 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 include arranging appropriate training for staff in continuing employment who have become disabled during their period of employment.

## **Parliamentary Accountability and Audit Report**

OFFA receives funding in the form of grant-in-aid from Parliament, which enables 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 2016-17 that can be retained and set against resource or capital budgets. OFFA has incurred no losses, has not made any special payments, and has not been in receipt of any gifts. OFFA had no remote contingent liabilities at 31 March 2017.

A handwritten signature in black ink, appearing to read 'L. Ebdon', is positioned at the top left of the page.

Professor Les Ebdon CBE DL  
Director of Fair Access to Higher Education

Dated: 7 July 2017

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

I certify that I have audited the financial statements of the Office for Fair Access (OFFA) for the year ended 31 March 2017 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 Remuneration and Staff Report and the Parliamentary Accountability Disclosures that are described in that report as having been audited.

## **Respective responsibilities of the Accounting Officer and auditor**

As explained more fully in the Statement of the Responsibilities of the Director of Fair Access to Higher Education, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Higher Education Act 2004. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to OFFA's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by OFFA; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income 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.

### **Opinion on regularity**

In my opinion, in all material respects the expenditure and income 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.

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of OFFA's affairs as at 31 March 2017 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 other matters**

In my opinion:

- the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with Secretary of State directions under the Higher Education Act 2004; and
- the information given in 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
- the financial statements and the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures 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: 10 July 2017

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 2017

	Note	Year ended 31-Mar 2017 £ 000	Year ended 31-Mar 2016 £ 000
<b>Expenditure</b>			
Staff costs	2	1,267	1,060
Other expenditures	3	660	561
Total expenditure		<u>1,927</u>	<u>1,621</u>
 <b>Net expenditure for the year transferred to general reserve</b>			
		<u>1,927</u>	<u>1,621</u>

There were no gains or losses other than the net expenditure for the year.

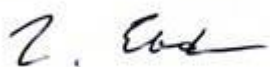
All OFFA operations are continuing.

The notes on pages 41 to 49 are part of these accounts.



## Statement of financial position as at 31 March 2017

	Note	31-Mar 2017 £ 000	31-Mar 2016 £ 000
<b>Current assets</b>			
Trade and other receivables	5	4	4
Cash	6	164	121
		<b>168</b>	<b>125</b>
<b>Current liabilities</b>			
Trade and other current payables	7	(147)	(135)
<b>Non-current assets plus net current assets</b>		<b>21</b>	<b>(10)</b>
<b>Assets less liabilities</b>		<b>21</b>	<b>(10)</b>
<b>Taxpayers' equity</b>			
General reserve		21	(10)
		<b>21</b>	<b>(10)</b>



Professor Les Ebdon CBE

Director of Fair Access to Higher Education and Accounting Officer  
Office for Fair Access  
7 July 2017

The notes on pages 41 to 49 are part of these accounts.

## Statement of cash flows for the year to 31 March 2017

	Note	Year ended 31-Mar 2017 £ 000	Year ended 31-Mar 2016 £ 000
<b>Cash flows from operating activities</b>			
Net expenditure		(1,927)	(1,621)
Decrease/(increase) in trade and other receivables	5	0	(4)
Increase/(decrease) in trade payables and other current liabilities	7	12	62
<b>Net cash outflow from operating activities</b>		<b>(1,915)</b>	<b>(1,563)</b>
<b>Cash flows from financing activities</b>			
Grants from parent department		1,958	1,653
<b>Net cash inflow from financing activities</b>		<b>1,958</b>	<b>1,653</b>
<b>Net financing</b>			
Net increase in cash for the year	6	43	90
<b>Cash at beginning of period</b>	6	121	31
<b>Cash at end of period</b>	6	<b>164</b>	<b>121</b>

The notes on pages 41 to 49 are part of these accounts.

## Statement of changes in taxpayers' equity for the year ended 31 March 2017

	General Reserve
	Year ended
	31-Mar
	2017
	£ 000
<b>Balance as at 1 April 2015</b>	<b>(42)</b>
Changes in reserves 2015-16	
Grant from parent department	1,653
Net expenditure transferred in the year	(1,621)
<b>Balance as at 31 March 2016</b>	<b>(10)</b>
<b>Changes in reserves 2015-16</b>	
Grant from parent department	1,958
Net expenditure transferred in the year	(1,927)
<b>Balance as at 31 March 2016</b>	<b>21</b>

The notes on pages 41 to 49 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. They have been prepared in accordance with the 2016-17 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 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.

### 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 2016-17

OFFA follows reporting guidelines as set out in the Financial Reporting Manual (FReM) 2016-17

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

In accordance with the FReM, these financial statements have not applied IFRS 9: Financial Instruments, IFRS 15: Revenue from Contracts with Customers or IFRS 16: Leases. 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 is still to be determined. The potential impacts of IFRS 9, IFRS 15 and IFRS 16 are not expected to have a material impact on OFFA's financial statements.

#### b) Changes to the FReM

Apart from the adoption of IFRS 13: Fair Value Measurement (new) and IAS 36: Impairment of assets (amendment), no other changes in IFRS were adopted by the FReM during 2016-17.

### Going concern

The net expenditure shown on the Statement of Comprehensive Net Expenditure is fully funded by DFE through administration resource and Capital grant-in-aid. This funding is taken directly to reserves (Statement of Changes in Taxpayers Equity). Funding for 2016-17 based on the Department's estimates for the year was set out in OFFA's revised allocation letter dated 3rd February 2017, and a budget has been agreed for 2017-18 The Higher Education Research Act 2017, which received Royal Assent after Year End, states (paragraph 82) that 'the Director of Fair Access ceases to exist' on 31st March 2018. Accordingly, OFFA will close on that date. The assets and liabilities of OFFA will transfer

to a new non-departmental public body: the Office for Students. This means OFFA's activities will continue and accordingly these financial statements have been provided 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.

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 has no property, plant or equipment other than that which is provided by HEFCE under a 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 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 makes an annual charge to OFFA for the cost of building and infrastructure refurbishment at OFFA's new offices,

amortised over the lifetime of the lease which HEFCE holds. The charge is recognised as a recurrent cost in note 3 and a related party transaction in note 8.

### **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 year ending 31 March 2017 (none at 31 March 2016).

### **Taxation**

OFFA does not trade and hence is not liable for Corporation Tax. Also OFFA has 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 is charged on staff costs for staff directly employed on OFFA's own payroll.

## 2 Staff costs

	Year ended 31 March  2017 £ 000	Year ended 31 March  2016 £ 000
<hr/>		
Staff employed by OFFA (including the Director and directly seconded staff)		
Salaries	956	804
Social security costs	102	68
Other pension costs	174	145
	<hr/>	<hr/>
	<b>1,232</b>	<b>1,017</b>
Value-added tax on seconded staff	2	0
Costs of contingency staff (agency costs and committee fees)*	33	43
	<hr/>	<hr/>
	<b>1,267</b>	<b>1,060</b>

\*This Line includes the payments to the advisory group members, as detailed in the staff report, page 31.  
Value Added Tax is paid on Staff Employed by OFFA which are seconded from HEFCE under the SLA.

### 3 Other Expenditure

	Year ended 31 March 2017 £ 000	Year ended 31 March 2016 £ 000
External audit fee†	20	20
Internal Audit fee††	12	5
Research Consultancy and legal fees	137	64
General administrative payments	54	15
Publications, printing, publicity	9	7
Recruitment and training	25	31
<b>HEFCE Service charge:</b>		
+++Facilities management, IT, Human Resources and Financial Services	322	334
Publication design service	6	3
- Annual redevelopment charge++++	34	34
Travel and subsistence for staff and advisory committee	41	48
	<b>660</b>	<b>561</b>

†£1,500 of the £19,500 external audit fee reported in 2016-17 relates to 2015-16.

††The internal audit service was provided by the Government Internal Audit Agency from 1 April 2016.

+++Services are delivered under an 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 2016-17 includes £4,654 charged retrospectively for publication design work completed in 2015-16.

++++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 31 March 2017 £ 000	As at 31 March 2016 £ 000
<b>(a) analysis by type</b>		
Trade receivables and other current assets	0	0
Prepayments	4	4
	<b>4</b>	<b>4</b>
<b>(b) analysis by source</b>		
Other central Government bodies	0	0
Bodies external to Government	4	4
	<b>4</b>	<b>4</b>

## 6 Cash and cash equivalents

	As at 31 March 2017 £ 000	As at 31 March 2016 £ 000
Balance at 1 April	121	31
Net change in cash and cash equivalent balances	43	90
Balance at 31 March	<u>164</u>	<u>121</u>

The following balances at 31 March were held at:

<b>Government Banking Service</b>	<b>164</b>	<b>121</b>
Balance at 31 March	<u>164</u>	<u>121</u>

## 7 Trade payables and other current liabilities

All amounts falling due within one year

	As at 31 March 2017 £ 000	As at 31 March 2016 £ 000
<b>(a) analysis by type</b>		
Trade Payables	4	46
Accruals	143	89
Other payables	0	0
	<b>147</b>	<b>135</b>
<b>(b) analysis by source</b>		
Other central Government bodies	62	0
Bodies external to Government	85	135
	<b>147</b>	<b>135</b>

## **8 Related party transactions**

OFFA is a non-departmental public body sponsored by BIS for the year to January 2017 and from February 2017 (see page 2) by its parent department DfE, and therefore DfE is regarded as a related party. OFFA has a Service Level Agreement (SLA) with HEFCE, through which HEFCE provides a number of facilities and services to OFFA including office accommodation, transactional services, IT and human resources support, internal audit, information management and other specialist services for which OFFA has no or limited internal resource.

During the year OFFA paid HEFCE £361,600 for the services provided through the SLA (£371,200 in 2015-16).

## **9 Events after the reporting period**

On 23 June 2016, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. A formal plan of exit was enacted by the signature of article 50 of the Lisbon Treaty by the Prime Minister on March 29th 2017 and negotiations for the departure of the United Kingdom from the EU commenced in June 2017. Until those negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to implement and apply EU legislation. The outcome of negotiations will determine what arrangements apply in relation to EU legislation and funding in future once the UK has left the EU. OFFA's business plans may be subject to alteration by a change to Grant in Aid support and the effect of EU exit negotiations on Higher Education in England. This is therefore a non-adjusting event for which no estimate of its financial effect on the reporting entity can be made.

The date the accounts were authorised for issue is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

**Office for Fair Access**

Nicholson House  
Lime Kiln Close  
Stoke Gifford  
BRISTOL  
BS16 1QD  
tel 0117 931 7171  
[www.offa.org.uk](http://www.offa.org.uk)

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