



offa

office for fair access

07-08

annual report
and accounts

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office for fair access

Office for Fair Access Annual Report and Accounts 2007–08

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Higher Education Act 2004.

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This has been an extremely busy year for OFFA, the year in which we started to monitor how well institutions are meeting the goals and commitments made in their access agreements.

Our analysis shows that the first year (2006-07) of the new student finance system was remarkably successful. Universities and colleges spent almost £96m of their increased fee income on bursaries and about £20m on additional outreach. This was the result of a lot of hard work on the part of universities and colleges in creating the systems needed to implement the new regime. It's also testament to the commitment by institutions to making sure that anyone with the qualifications to access higher education should be able to do so, regardless of their background. When variable tuition fees were increased, many feared they would have a detrimental effect on applications from students from lower-income backgrounds. However, the latest UCAS figures suggest this has not happened – a situation that indicates the new fee arrangements are working well.

We estimate that at least 70,000 students received bursaries, an excellent achievement. However, at least 12,000 more students could and should have received bursaries but failed to collect them. There has been much speculation about why this happened, but one reason is without doubt the continued failure on the part of some students to share their financial information with their institution. The application form for student finance has subsequently been improved and those entering higher education in 2008-09 will have to 'opt out' of sharing their information rather than opting in as in the past. It is hoped that this will significantly improve bursary take-up for future years. In the meantime, we expect individual institutions to



director's fore

continue to be proactive on take-up, running effective bursary awareness campaigns before, during and even after application. Some institutions have been particularly diligent in tracking down students that they feel may be eligible for a bursary and we have urged all institutions to follow their example. And let's not forget that take-up is an issue among returning students too – for example, second year students may think they will automatically get a bursary and so fail to consent to share their information with their institution.

The quality and clarity of information put out by institutions about their bursary provision will be more important than ever in the light of increases to state thresholds for financial support announced in July 2007. In the past, most

institutions linked their bursary schemes to eligibility for state support. However, now that for 2008-09 entrants the thresholds have been raised to £25,000 for full state support and as much as £60,000 for partial support, many institutions have revised their access agreements so that this is no longer the case. This could, potentially, make it harder for students to understand exactly what they are entitled to, so institutions will need to make sure their information is as clear and accessible as possible.

We have also seen a growing number of institutions revise their access agreements to give more support to care leavers, a group chronically under-represented in higher education. This is a very pleasing development. We will continue to highlight the needs of care leavers wherever possible.



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Looking ahead, as we approach 2009, the year when an independent commission will review the full impact of the new student finance system, institutions will want to start thinking about the impact the system has had on their particular institution. How has their student profile changed, if at all? Are bursaries affecting the decision-making process for students when applying? Do bursaries have a positive impact on student retention? Nationally, the most recent UCAS statistics (applications as of 15 January 2008), show that the overall numbers of applications for 2008-09 entry have increased across all social classes. However, individual institutions may have a different story to tell.

While there may be considerable differences of opinion on the impact of the new fee arrangements, almost all are agreed that the next step in widening participation is to reach out earlier to young people in communities and families with no tradition of higher education. Institutions need to develop closer links with secondary schools and even primary schools in disadvantaged areas, reaching wholly new groups of potential students.


We need to build up aspirations from the bottom, challenging low expectations before children rule out higher education from their future. The target is the bright 13-year-old on a run-down estate who thinks that university is

not for them. All of us working in the higher education sector need to change their aspirations, encouraging them to see that higher education is a real and affordable possibility if they attain the necessary qualifications. It is in all our interests that we should extend participation in higher education even further and for this reason, OFFA will look warmly on institutions that invest more of their outreach funding in this way.



Sir Martin Harris

Director, Office for Fair Access
14 May 2008



Sir Martin Harris



OFFA's role and responsibilities

When Parliament allowed institutions to charge higher fees from 2006, it did so on the condition that they invest a proportion of their additional fee income in access measures (primarily bursaries) to attract students from low income and other under-represented groups. OFFA was established to work with institutions to ensure that this condition is met.

OFFA is a small non-departmental public body consisting of a Director, Sir Martin Harris, two full-time and two part-time members of staff. It was established in October 2004 under Part 3 of the Higher Education Act 2004 and is sponsored by the Department for Innovation, Universities and Skills (DIUS). It reports to the Secretary of State for Innovation, Universities and Skills. OFFA is supported with resources provided through a Service Level Agreement with the Higher Education Funding Council for England (HEFCE). OFFA also has a small Advisory Group of recently retired heads of institutions available to offer impartial advice on access matters and if necessary on individual decisions. An independent review panel has been established should institutions wish to challenge an OFFA decision.

OFFA's role, as defined by the Higher Education Act 2004 and set out in 'OFFA's Strategic Plan 2005-10' (OFFA 2005/03) can be summarised as follows:

- to regulate the charging of higher tuition fees through the approval and monitoring of access agreements, in which institutions set out the measures they will put in place to safeguard fair access to higher education for low income and other under-represented groups
- where appropriate, to identify and disseminate good practice and advice connected with access to HE, in particular in respect of financial support arrangements and the provision of financial information to students.

Mission

Working collaboratively we promote fair access to higher education in particular for low income and other under-represented groups.

Strategic aims

Our strategic aims are primarily delivered through institutions' access measures as set out in their access agreements and more generally. We have three core aims:

- a. To support and encourage improvements in participation rates in higher education from low income and other under-represented groups.
- b. To reduce as far as practicable the barriers to higher education for students from low income and other under-represented groups by ensuring that institutions continue to invest in bursaries and outreach; and
- c. To support and encourage equality of opportunity through the provision of clear and accessible financial information for students, their parents/carers and their advisers.



management commentary

Performance and achievements

Access agreements were approved for all higher education institutions (HEIs) with undergraduate full-time provision in our first two years of operation. A smaller number of further education colleges (FECs) and school centred initial teacher training providers (SCITTs) also have approved access agreements.

The focus in our fourth year of operation has been to monitor institutions' progress with their access agreements and to approve revisions to agreements in the light of changes to eligibility thresholds for state support. We have also continued to support institutions with the operational and practical considerations emerging from the implementation of their access agreements.

As a regulator, OFFA has a responsibility to ensure that universities and colleges are meeting their commitments to individual students and are moving towards the milestones and legal obligations set out in their access agreements. To achieve this, in the past year we have successfully undertaken the first round of institutional monitoring.

We published guidance asking institutions to complete a financial return on additional fee income and expenditure on bursaries and outreach activity, along with reports on bursary take-up and progress with milestones.

Our analysis of these monitoring returns considered whether financial commitments had been broadly met and, where they were not, that there was a reasonable explanation and/or appropriate review and re-adjustment of plans. We also looked at progress made by institutions towards meeting their own milestones.

Our published outcome report (OFFA 2008/01) contained strong evidence that the higher education (HE) sector is meeting its obligations and that progress is being made to promote and safeguard fair access to HE for under-represented groups.

Expenditure returns showed that HEIs received £451¹ million in additional fee income in 2006-07. Expenditure on financial support for lower income students was almost £96 million which was just over 21 per cent of additional fee income. Over £20 million was spent on additional outreach activity which was just under 5 per cent of additional fee income.

An estimated 70,000 students from lower-income backgrounds have received bursaries and every student who has applied for a bursary through the correct channels appears to have received one.

However, there was an issue with bursary take-up. Despite the efforts of institutions and others to ensure both the clarity and accessibility of financial support during the first year of implementation some students still failed to collect the institutional bursary to which they were entitled.

The majority (70 per cent) of HEIs use the Higher Education Bursary and Scholarship Scheme (HEBSS) run by the Student Loans Company (SLC) to distribute their bursary and scholarship awards. Some eligible students, or their parents, did not tick the appropriate box on the SLC application form giving SLC permission to share information about their assessed household income with their university or college. As the majority of bursaries are means-tested, this information is critical if institutions are to distribute bursaries to all those entitled to receive them.

¹ This varies from the figure for additional fee income published in our outcome report due to an element of rounding. The figure has also been updated to include income from franchise partners for University of East Anglia which was excluded from the original calculation.



Initial data provided by the SLC for subscribers to the HEBSS service suggests that in 2006-07 perhaps as many as 12,000 students assessed by their Local Authority as eligible for a full Higher Education Maintenance Grant - and therefore eligible for a bursary – did not consent to share information.

Many institutions made strenuous efforts to increase take-up by improving their bursary awareness campaigns. Where we felt that institutions could have been more proactive, institutions were approached and asked to take steps to remedy the situation. The first year of operation of access agreements has been an exceptional one, but in future we will expect a tighter management of take-up and consent to share issues.

Our monitoring process was designed to achieve a balance between the accountability burden on institutions and our obligations as a regulatory body. As might be expected with any new process there were teething problems and in particular, as a small organisation with limited resources, the process was time-consuming. We are committed to working with institutions to improve our services and we have therefore commissioned an evaluation to inform and refine the process for 2007-08.

The issue of bursary take-up and consent to share, and an apparent continued lack of awareness of bursary arrangements in some quarters, highlights the importance of clear information about finance and raises the issue of how to ensure that as many students as possible access the financial support to which they are entitled.

We have continued actively to support the communications campaigns led by DIUS and institutions to promote messages about the new student finance arrangements, in particular the more generous student support packages. These messages have been promoted through the media and through our ongoing sponsorship of the 'Outstanding student financial support package' award at the Times Higher Awards which we were delighted to present to the University of Portsmouth in November 2007 for their bursary targeting care leavers and previously homeless students.

We have worked closely with the SLC and HEBSS, sharing information and addressing operational issues such as bursary take-up.

There has also been an ongoing need to keep access agreements current and up to date. For example, we issued guidance notes to ensure that institutions were able to adapt their access agreements in response to the revised eligibility threshold levels for student support announced by the Government in July 2007. This led to us processing and issuing decisions on significant numbers of revised access agreements for 2008-09 entrants as well as continuing to process minor revisions to help institutions clarify their arrangements. The majority of FECs and around two-thirds of SCITTs did not submit access agreements for 2006-07. However, we have received and processed a small number of new agreements to commence in 2008-09.

We have also provided institutions with an opportunity to revise their financial estimates now they have the benefit of two cohorts of entrants under the new fee and support arrangements, along with better data from the SLC.

Through regular communication with DIUS, UCAS and the sector we have continued to monitor the possible impact of the new fee and support regime on applications to higher education over the 2008 application cycle and have continued to comment on and support issues around access more generally.

We have been particularly pleased with the institutional response to the issue of care leavers, a group hugely disadvantaged in society and chronically under-represented in higher education. Following guidance to all institutions on this matter highlighting the work of the Frank Buttle Trust we have seen a growing number of access agreements specifically addressing the needs of care leavers.

In performing our role we have continued to work collaboratively and transparently with the sector, creating minimum bureaucracy and securing a generous and highly beneficial set of access agreements for low income and other under-represented groups.

Achievements in 2007-08

- provided a general enquiry service regarding access agreements and related issues for institutions and the public
- kept institutions updated on external issues which might impact on the content of existing access agreements and provided guidance notes on any necessary revisions to agreements
- confirmed fee and bursary levels with all institutions for 2008-09
- conducted the first annual monitoring of access agreements and published an outcome report
- requested revised financial estimates from all institutions
- worked closely with the SLC to share information on the fee limits set in access agreements, and to discuss and advise on access agreements in relation to operational practicalities regarding fees and bursaries
- worked with the HEBSS steering group and the SLC to address data sharing and other operational issues on bursary payments
- continued to provide advice and guidance to DELNI on access agreements and related issues.

Monitoring

- assessed monitoring returns for 123 HEIs with an access agreement in force for 2006-07
- assessed the majority of monitoring returns for FECs, SCITTs and other institutions – some information remains outstanding
- issued outcome letters with the results of our assessment and guidance for institutions on further actions
- published an outcomes report giving an overview of our findings.

Access agreements

- processed and approved 6 new access agreements (5 FECs and 1 SCITT)
- processed and approved 128 amendments to agreements (100 HEIs, 18 FECs and 10 SCITTs – some agreements have been amended on more than one occasion).

Personal data related incidents

OFFA does not hold any personal data. Therefore we have not had any personal data related incidents.



Analysis: facts and figures

Existing access agreements

As at 31 March 2008 there were 225 institutions with live access agreements comprising:

- 123 Higher Education Institutions (HEIs)
- 53 Further Education Colleges (FECs)
- 48 School Based Initial Teacher Training (SCITT) providers
- 1 other institution.

All HEIs with full-time undergraduate students have submitted access agreements. A total of 75 directly funded FECs and 9 SCITTs have not submitted agreements. These institutions will not be charging above the basic amount of £1,255 for any of their courses in 2008-09.

Fee levels

- 95 per cent of HEIs have agreed a maximum fee limit of £3,145 for 2008-09 (all HEIs offering full-time undergraduate courses have an approved access agreement)
- 43 per cent of FECs that have submitted an agreement have agreed a maximum fee limit (53 out of 128 directly funded FECs have submitted agreements)
- 80 per cent of HEIs and FECs have opted for a maximum fee limit
- 46 per cent of SCITTs that have submitted an agreement have agreed a maximum fee limit (48 out of 57 SCITTs have submitted agreements)
- 83 per cent of all agreements submitted have agreed the maximum fee limit.

Expenditure on bursaries and scholarships

At the time of submitting access agreements, institutions estimated around £350 million per year (of additional fee income in steady state once all cohorts are under the new regime) would be spent on bursaries and scholarships that would benefit low

income or other under-represented groups. HEIs estimated that approximately £115 million representing just over 25 per cent of estimated additional fee income would be spent on institutional bursaries and scholarships for the first cohort in 2006-07. The actual figure was almost £96 million which is just over 21 per cent.

FECs and SCITTs estimated that approximately £4.3 million, representing 42 per cent of additional fee income would be spent on bursaries and scholarships. The actual figure was £2.9 million which is 37 per cent.

Forecasting was extremely difficult for institutions. The majority of bursary schemes are based on the household income thresholds for eligibility for state support. At the time institutions were calculating their likely expenditure, these thresholds were increased by the Government, resulting in a lack of accurate data about the potential number of eligible students. A significant part of the 'shortfall' between original estimates and actual expenditure is therefore a result of inaccurate forecasting.

We have always been clear that the expenditure levels set out in access agreements and the original financial returns were estimates based on assumptions of student profiles and not financial commitments or targets. Therefore whilst expenditure on financial support was not as high as estimated we are satisfied that institutions have met the commitments in their access agreements.

We have provided institutions with an opportunity to revise financial estimates now that better data is available from the SLC and we hope that in year two of the new arrangements we will see less difference between forecasts and actual expenditure.

Our evaluation of the monitoring process will also consider if there are more appropriate measures of reporting that rely less on financial estimates.

Many institutions are also investing in bursaries and scholarships that will benefit a broader range of students and are not means tested (for example scholarships based on merit). This type of bursary expenditure is over and above the expenditure on bursaries referred to above.

Expenditure on outreach

Institutions originally estimated that they would spend around £26 million on additional outreach in 2006-07.

HEIs estimated £25 million expenditure on additional outreach activity and the actual figure was £21 million.

FECs and SCITTs estimated £900,000 additional expenditure and the actual figure was £600,000.

Although overall expenditure on outreach was less than forecast, the majority of HEIs exceeded or broadly met their financial estimates. Where expenditure was less than expected, institutions still met, or made good progress towards, their outreach objectives.

We have always been clear that institutions should be able to manage their outreach plans flexibly. Where a shortfall in expenditure was due to delays in staffing or the start of activities, it is expected that expenditure will normally meet predicted levels in future years.

Bursaries – some key facts

In 2007-08 a typical annual bursary for a student on full state support at an HEI is around £1,000. The range is from £305 to £3,100.

Of HEIs charging the full fee, 84 per cent are offering bursaries to students above the statutory level for students on full state support (72 per cent also offer bursaries to students on partial state support while 11 per cent have defined their own threshold levels).

There are three basic models for offering bursaries:

- a fixed bursary – e.g. providing £1,000 for students on full state support and £500 for those on partial state support
- a sliding scale – e.g. providing a bursary between £50 and £2,000 depending on family income, often linked to eligibility levels for state support
- a bursary linked to the level of state support. This is as a 'match' or as a percentage – e.g. providing a bursary equal to 50 per cent of the state support.

A total of 10 per cent of HEIs are providing a non-means tested bursary to all of their students. These bursaries range from £205 to £1,000 and a further 5 per cent are providing support above the state support thresholds but with a defined limit.

State support levels in 2007-08

The full Higher Education Maintenance Grant is £2,765, payable to students with an assessed residual family income of up to £17,910

Partial grants are payable to students with an assessed household income of up to £38,330.

Other facts

- 49 per cent of HEIs have established some form of scholarship scheme
- 24 per cent have scholarships based solely on merit, with a typical award of £1,000
- 15 per cent have scholarships with means-testing or other widening participation related criteria with awards ranging from £100 to £5,000
- 20 per cent have awards based on subject
- 10 per cent have awards for achievement or progression whilst at university with awards ranging from £200 to £10,000
- 18 per cent have awards aimed at students progressing from partner schools
- 13 per cent have awards aimed at care leavers
- 20 per cent of HEIs are creating or contributing additional funds to discretionary funds or awards.

Revisions

For 2008-09 the fee limit has been increased for inflation to £3,145. Institutions charging the full fee are required to provide a bursary of at least £310 to students entitled to the full Higher Education Maintenance Grant.

In July 2007 the Government announced changes to student finance including substantial increases to the threshold levels for the maintenance grant for students entering higher education from September 2008. The threshold for full state support rose from £17,910 to £25,000 and the threshold for partial support from £38,330 to £60,005.

The Secretary of State was clear in his announcement that the minimum bursary (i.e. the difference between the full maintenance grant and the fee charged) should continue to be paid to all students entitled to the maximum grant.

As the majority of institutions had previously linked their bursary schemes to eligibility for state support, the changes meant that access agreements needed reviewing to ensure they remained clear and accurate for 2008-09.

In assessing revisions to agreements we took account of the outcomes of our monitoring exercise and have ensured that changes did not have an adverse effect on continuing students.

Revisions for 2008 entrants:

- 26 institutions (21 per cent) retained their current eligibility thresholds and amounts and have no link to the new state support thresholds
- 27 institutions (22 per cent) extended their bursary schemes to match the new state support thresholds for full and partial state support
- 40 institutions (33 per cent) extended the threshold for their maximum bursary for those entitled to full state support, but have not extended the threshold for those on partial support.
- 1 institution increased the fee from a lower rate to the maximum.

Revised expenditure figures

We asked all institutions to provide revised estimates of additional fee income and expenditure under their access agreements to reflect any changes to bursary schemes for 2008-09 entrants or so that estimates are based on firmer data on the number of eligible students in year one.

The majority (79 per cent) of institutions have revised their estimates, although some are outstanding and therefore the following figures are indicative.

The monitoring exercise demonstrated that accurate forecasting was extremely difficult for the sector when submitting their original agreements, resulting in a significant difference between predicted and actual expenditure. Some institutions have recognised this over-prediction and have revised their figures downwards to more accurate levels. However, some institutions also revised figures to adjust for under-predictions and made changes to bursary schemes from 2008-09 to increase eligibility to bursaries. The net result is that for the sector overall, revised predictions have not changed substantially.

New figures for all institutions with access agreements estimate that in steady state £349 million will be spent on bursaries and scholarships for lower income students, representing just under 24 per cent of additional fee income. This compares to an original prediction of £350 million, representing 25 per cent of additional fee income.

For HEIs the estimated expenditure in steady state will be £340 million against an original prediction of £338 million.

These figures are still estimates and should not be taken as targets or commitments of expenditure. Figures are generally calculated based on the profile of the current student profile and various assumptions. They are therefore indicative and liable to change.



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Key performance indicators

Aim 1: To support and encourage improvements in participation rates in higher education from low income and other under-represented groups

PI 1: The number and or proportions of applications from under-represented groups have increased across the planning period

The final UCAS data for 2007-08 showed that the number of applicants accepted onto full-time undergraduate courses in England from UK domiciled students rose by 6 per cent. The number of accepted applicants from lower socio-economic groups increased by 7.7 per cent. In 2007 32.1 per cent of accepted applicants from England were from the low socio-economic groups compared with 31.7 per cent in 2006.

We are pleased that the UCAS statistics for 2008-09 entry taken at 15 January 2008 showed that the overall numbers of applications for 2008-09 entry have increased across all social classes. Applicants from England to English universities and colleges increased by 10.1 per cent and applications from all UK domiciled students to England by 9.2 per cent. Whilst these are not final figures they are an encouraging sign of how the year might progress.

We will be requesting an analysis of UCAS data according to the amount of bursary awarded and type of institution applied to, in order to identify any impact of bursaries on applicant behaviour.

PI 2: The number and or proportions of students eligible for the Higher Education Maintenance Grant across the planning period have increased

We originally intended to use data from the Student Loan Company on the number of students eligible for state support in 2006-07 as a baseline for monitoring progress in future years.

However, as the eligibility threshold levels for state support have increased for the 2008-09 academic year this will no longer be a useful performance indicator and we will now have to consider whether there is a more suitable measure.

PI 3: The number proportions of students from under-represented groups have increased across the planning period

This will be monitored through institutions' own milestones. The majority of HEIs are using the Higher Education Statistics Agency's published Performance Indicators (www.hesa.ac.uk) to measure changes in the proportions of under-represented groups. The HESA data relating to the impact of measures under the access agreements in year one (2006-07) will not be available until July 2008 and will be reported on in the 2007-08 monitoring exercise.

PI 4: Good practice and research strategy on bursary scheme policy and administration in place by 2006-07

A good practice and research plan has been developed which sets out our priorities for future work. The main focus will be good practice to support institutions with the implementation of their access agreements – in particular around communication of bursary messages.



aimtwo

Aim 2: To reduce as far as practicable the barriers to higher education for students from low income and other under-represented groups by ensuring that institutions continue to invest in bursaries and outreach

PI 5: Annual returns from institutions demonstrate that the levels of investment are broadly maintained at the levels committed to in access agreements, recognising that the levels set out in agreements are estimates.

Whilst expenditure on financial support has not been as high as estimated we are satisfied that institutions have met the commitments in their access agreements. Every student that applied for a bursary through the correct channels received one. A significant part of the 'shortfall' between original estimates and actual expenditure is a result of inaccurate forecasting of the numbers of eligible students.

We have provided institutions with an opportunity to revise financial estimates now that better data is available and we hope that in year two we will see less difference between forecasts and actual expenditure.

Due to the unpredictable nature of student numbers, we are also reviewing the appropriateness of monitoring against estimates of expenditure based on assumptions of student profiles. It may be more suitable to measure against previous proportions of actual spend.

PI 6: Revisions to access agreements are normally processed and communicated to institutions within a three-week period. No complaints are received from institutions regarding process and service

Due to the high volume of revised agreements and a submission timetable that unavoidably coincided with the assessment of monitoring returns, revisions were not processed within our target timescale of three weeks. Almost 50 per cent were completed within deadline. Other revisions took an average of six weeks to complete. All institutions were contacted within a three-week period and delays beyond this were normally due to the need to clarify information. No complaints were received from institutions regarding process or service.

The timetable for future revisions will be brought forward and providing there are no further announcements from Government resulting in the need for substantial changes to access agreements, we are confident that our normal service standards will resume.

New agreements continue to be processed on a rolling basis and we have received no complaints regarding process and service.

PI 7: Comment and analysis is provided, where appropriate, to contribute to the debate on the actual pattern of applications admissions in 2006 and thereafter

We have monitored the possible impact of the new fee and support regime on applications and when requested have commented on UCAS data releases on numbers and social mix of applications in the press.



aim three

Aim 3: To support and encourage equality of opportunity through the provision of clear and accessible financial information for students, their parents/carers and advisers

PI 8: Financial information for students is judged to be easy to understand

Early research that we commissioned from Ipsos Mori on the information on institutions' websites suggested that although information was generally easy to find and understand, there was room for improvement. Following publication of good practice guidance we reviewed websites and found that information and accessibility had improved.

However, more recent research reports and the outcomes of our monitoring suggest that there remains a lack of awareness regarding bursaries. Ensuring that financial information is easy to understand remains a priority and we will consider what more can be done to improve student understanding.

PI 9: Justified complaints are received from students and applicants regarding the clarity and accessibility of information provided by institutions on the bursaries available and the fees to be charged

The Office of the Independent Adjudicator (OIA) is responsible for handling any complaints made by students regarding any service provided by their higher education institution, including the provision of bursaries. The OIA received two complaints regarding the transparency of bursary/scholarship arrangements. One was upheld and one was rejected. Both institutions have agreed to make their arrangements more accessible.

We will be contacting institutions to remind them of their obligations to provide clear and accessible information regarding their bursary packages including eligibility and any rules on administration of the scheme.

PI 10: Justified complaints from students over eligibility for bursaries or the amounts awarded

The OIA received one complaint regarding the loss of a bursary following a transfer from one institution to another. The complaint was not upheld.

OFFA's future programme of work

We continue to combine our core role – of approving, maintaining and monitoring access agreements – with one of facilitating and providing advice and guidance to the sector on matters relating to access agreements and fair access more generally.

The review of the first year of operation suggests that low awareness of bursaries and scholarships amongst some young people is still an issue. The provision of clear and accessible information therefore remains a priority for the sector and a key strategic objective for us.

We must learn from our experiences to further improve the information available and develop the operational mechanisms used to deliver financial packages. As we move into 2008, we will see new financial support schemes for 2008-09 entrants running alongside schemes for existing students, so the clarity, timeliness and accessibility of financial information will be more important than ever. OFFA will continue to work with institutions and other sector organisations to develop good practice so that access agreements support widening participation and fair access as effectively as possible. We will shortly be commissioning research to identify successful strategies to increase student awareness and take-up of bursaries.

In support of our aim to improve financial information we will be restructuring our website in order to better signpost messages for students on bursaries and to provide clearer up-to-date guidance for institutions.

Undertaking the annual monitoring exercise will remain a core part of OFFA's ongoing work. A major consideration will be how we can refine the process and improve our service to institutions while enhancing the information that the monitoring provides. We have already commissioned an evaluation to obtain feedback from the sector to inform and develop the monitoring process for 2007-08.

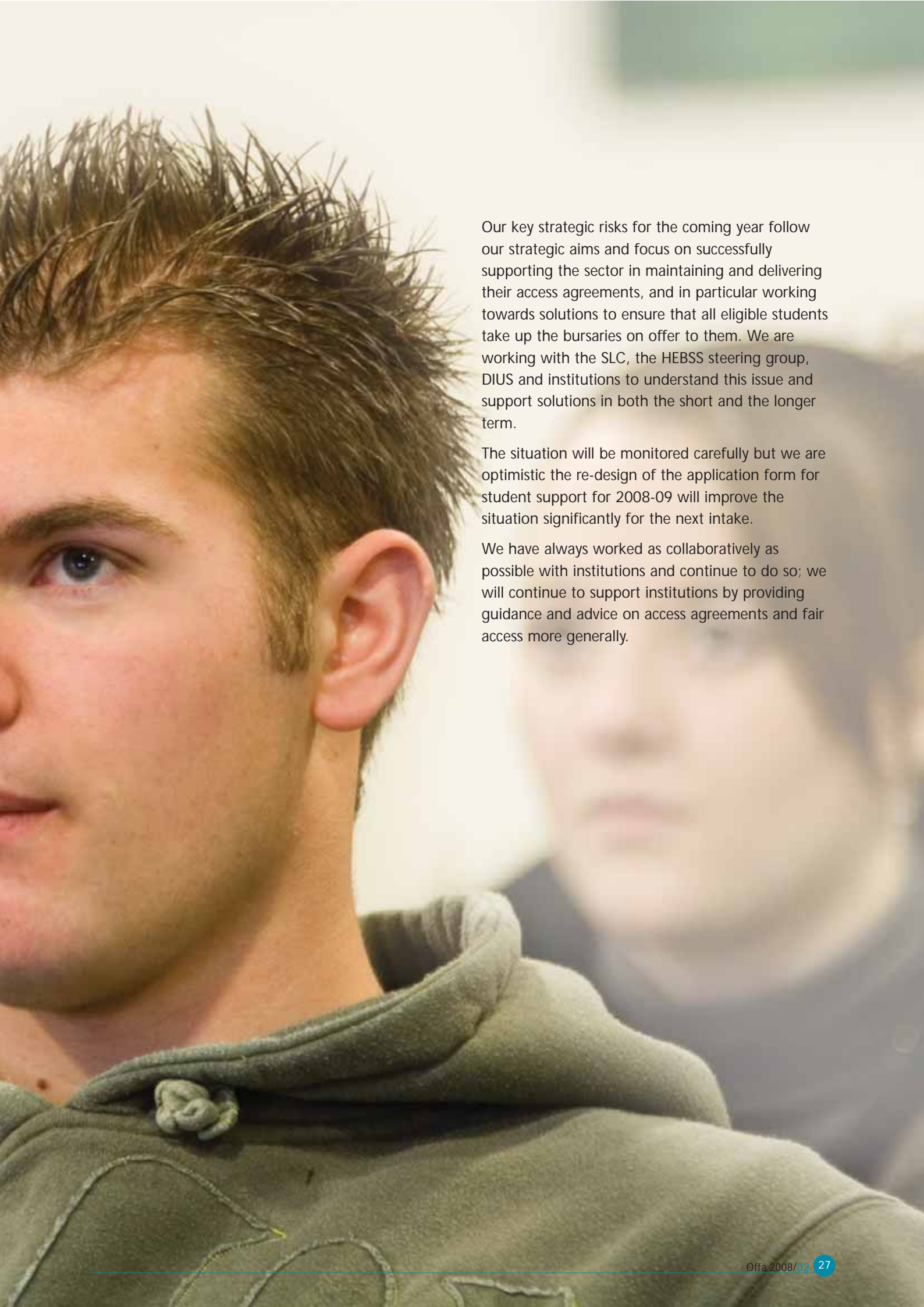
As we approach the end of the second year of the new fee and support regime we will want to analyse carefully the overall numbers of new entrants as well as patterns of application and entry of lower income

students. An Independent Commission to review fees and student support is planned for 2009 and we will need to consider what evidence and analysis it will be possible for us to provide.

We will continue to process new agreements for institutions who wish to charge higher fees, although we anticipate that this will be a small part of our ongoing work. The majority of FECs are still charging the standard fee in 2007-08 but for the main part these are small providers of higher education and we have received no indication that their position is likely to change. A small number of institutions provided access agreements for a three year period and will now have the opportunity to undertake a more substantial review of their access measures. In light of this we will issue updated guidance to institutions on submitting new access agreements.

As some institutions start to review their long term access plans and as we move into the third year of operation of the new fee and support regime there will be an opportunity to re-examine our own strategic priorities and we intend to update our strategic plan to better reflect the focus of our core work.

We anticipate that we will continue to receive submissions from institutions to revise their agreements in order to maintain accuracy in a changing environment, or to alter bursary scheme details in light of experience from the first two years of operation. We will also confirm with each institution the proposed fee and bursary level for 2009-10.



Our key strategic risks for the coming year follow our strategic aims and focus on successfully supporting the sector in maintaining and delivering their access agreements, and in particular working towards solutions to ensure that all eligible students take up the bursaries on offer to them. We are working with the SLC, the HEBSS steering group, DIUS and institutions to understand this issue and support solutions in both the short and the longer term.

The situation will be monitored carefully but we are optimistic the re-design of the application form for student support for 2008-09 will improve the situation significantly for the next intake.

We have always worked as collaboratively as possible with institutions and continue to do so; we will continue to support institutions by providing guidance and advice on access agreements and fair access more generally.

Financial results for 2007-08

The accounts cover the year 1 April 2007 to 31 March 2008. The accounts have been prepared in accordance with the direction given by the Secretary of State for Innovation, Universities and Skills, with the approval of the Treasury, in accordance with Schedule 5 (section 8) of the Higher Education Act 2004. The accounts are also produced in accordance with the Financial Memorandum with the DIUS.

OFFA's total income for the year was £15,001 (2006-07: £15,258). This figure does not include grant in aid from DIUS as this is treated as financing. This means that the £412,500 grant in aid received this year (2006-07: £440,000) is taken to the balance sheet rather than shown as income in the income and expenditure account. All of this funding was provided for administrative running costs of the organisation.

Total expenditure for the year was £430,371 (2006-07: £448,561). Of this amount £305,183 (2006-07: £292,417) was paid to HEFCE for services provided through a Service Level Agreement (further details in section below). Taking into account the income received during the year, OFFA had net expenditure of £415,370 for the year (2006-07: £433,303) which was transferred to general reserves. Reserves at year end totalled £42,680 (2006-07: £45,550).

At the end of the year OFFA had a cash balance of £34,230 (2006-07: £37,170) which was within the £40,000 guideline set by the DIUS.

In accordance with the Government Financial Reporting Manual (FReM), the accounts include the notional cost of capital, which amounts to £295 in 2007-08 (2006-07: £269). Notes 1 and 5 to the accounts explain the basis for calculating these charges.

External audit information

The accounts are audited by the Comptroller and Auditor General, who is appointed by Statute. The audit fee is £6,550 (2006-07: £6,300) and the Comptroller and Auditor General did not provide any non-audit services during 2007-08.

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.

Higher Education Funding Council for England (HEFCE)

OFFA has a Service Level Agreement with HEFCE for the provision of various services including accommodation, finance, IT and Human Resource support, internal audit and general administrative activities. During the year ending 31 March 2008 OFFA paid HEFCE £305,183 including VAT (2006-07: £292,417) for the services provided through the Service Level Agreement including the costs of directly seconded staff.

Payment of creditors

OFFA is fully committed to the prompt payment of its suppliers' invoices and supports HM Treasury's Better Payment Practice Code. OFFA aims to pay invoices in accordance with agreed contractual conditions or, where no such conditions exist, within 30 days of receipt of satisfactory goods or services or the presentation of a valid invoice, whichever is the later. All suppliers have been notified of this commitment, through HEFCE, and have been given clear guidelines to help OFFA achieve this aim. Throughout the year HEFCE monitors actual performance against the 30 day target. During the year ending 31 March 2008 the target was met for 98 per cent of invoices (2006-07: 99 per cent).

Diversity and equality

OFFA, through its Service Level Agreement with HEFCE, follows HEFCE's policy on Diversity and Equal Opportunities policy in line with its Equality Scheme (published in January 2007). OFFA, through HEFCE, is committed to making equality and fair treatment – irrespective of race, gender, disability, sexual orientation, age, religion or belief – a core element in the way services are delivered and in the way the organisation is managed.



Consultation with employees

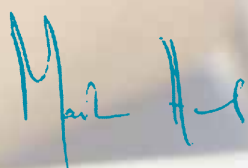
OFFA, through HEFCE, recognises the Public and Commercial Services (PCS) union as specified in their partnership agreement and regularly consults with all staff and the PCS union on changes concerning employee relations within the organisations, taking into account the differing views and opinions of colleagues.

Health, safety and welfare at work

OFFA, through its Service Level Agreement with HEFCE, follows HEFCE's Health and Safety at Work policy. HEFCE's aim is to have a clear and comprehensive framework to ensure, as far as reasonably possible, the health and safety of colleagues and others who may at any time be on their premises. The policy recognises the statutory responsibilities for providing a safe and healthy working environment for all members of staff and visitors to HEFCE's offices.

Environmental indicators

Using advice and guidance from UK Government sources, HEFCE has produced a set of environmental performance indicators. The indicators include data on carbon dioxide emissions, energy usage, water usage, waste disposal to landfill and recycled paper. The performance indicators will be updated annually and are available on the web at www.hefce.ac.uk under 'About us'. As staff seconded to OFFA use the HEFCE offices, the performance indicators include OFFA.



Sir Martin Harris

Director and Accounting Officer
Office for Fair Access
14 May 2008





remuneration report

Part 1: Audited information

Salary and pension entitlements for senior employees

Salary details are given for the senior employees within OFFA during 2007-08. Figures shown are full year values unless otherwise stated.

	ear ended 31 March 2008 £000	ear ended 31 March 2007 £000
Sir Martin Harris, Director (from 15 October 2004)	40–45	45–50

*Prior to 14 October 2006 the post was equivalent to 2.5 days a week. After this date the post was equivalent to 2 days a week.

Remuneration shown above includes both salary and benefits in kind. Salary includes gross salary; performance pay or bonuses; and any other taxable allowances or payments. The monetary value of benefits in kind covers any benefit provided by the employer and is treated by the Inland Revenue as a taxable emolument.

Advisory group

	ear ended 31 March 2008 £	ear ended 31 March 2007 £
Dr Michael Goldstein	0	850
Professor Norman Gower	0	850
Dr John Rea	0	850
	0	2,550

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

Members of the group are paid a fee for the work completed, and during the year ending 31 March 2008 no amounts were payable.

Pension benefits

OFFA does not directly contribute to any pension scheme, however during the year it paid HEFCE

£25,360 including AT (2006-07: £26,393, including AT) towards the cost of contributions to the Principal Civil Service Pension Scheme. This payment relates to the employer contributions of directly seconded staff to OFFA.

Civil Service pensions

The Civil Service pension is an unfunded multi-employer defined benefit scheme notionally backed by the Government. OFFA is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007 and details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

Part 2: unaudited information

Director of Fair Access

The Director of Fair Access is appointed by the Secretary of State for Innovation, Universities and Skills. The DIUS invoices OFFA the cost of the Director's salary and national insurance contributions. The remuneration of the Director is determined by the Secretary of State for Innovation, Universities and Skills.

Sir Martin Harris was appointed as the first Director of Fair Access on 15th October 2004. The Director's role is a part-time position, and was originally equivalent to a 0.5 full time equivalent post. From 14 October 2006 the post became equivalent to 0.4 full time equivalent (i.e. 2 days a week). The post does not offer any pension entitlements. The appointment was originally for a fixed term of three years, but last year this was extended until 2010. Other than the possibility of payment in lieu of notice, there are no explicit contractual provisions for compensation for early termination this period.



Sir Martin Harris

Director and Accounting Officer
Office for Fair Access

14 May 2008

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

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

In preparing the accounts, the Accounting Officer is 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 Innovation, Universities and Skills, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.
- Make judgements and estimates on a reasonable basis.
- State whether applicable accounting standards have been followed and disclose and explain material departures in the financial statements.
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the body will continue in operation.

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



Statement by the Director on internal control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of OFFA's policies, aims and objectives, whilst safeguarding the public funds for which I am personally responsible, in accordance with the responsibilities assigned to me in the Treasury guidance 'Managing Public Money'.

The system of internal control relies partly on my monitoring of the effectiveness of the Service Level Agreement with the Higher Education Funding Council for England which includes the provision of financial management and internal audit services.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of OFFA's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in OFFA for the year ended 31 March 2008 and up to the date of the approval of the annual report and accounts, and accords with Treasury guidance.

Risk management and capacity to handle risk

We have an Assurance Framework that explains OFFA's risk management policy, defines key roles and responsibilities and sets out how risk management is to be embedded in OFFA's strategic and operational planning processes. OFFA has developed a risk register in which risks are evaluated and prioritised and which is reviewed regularly. The risk register covers:

- Access agreements – supporting the delivery, maintenance and monitoring of access

agreements (including the delivery of bursaries and scholarships).

- Communications – supporting the clarity, accessibility, timeliness and credibility of messages about financial support for students.
- Financial and Operational – operational management of OFFA.
- Policy related – achievements regarding supporting widening participation.
- Evidence – providing evidence for the sector and the 2009 Commission on the impact of variable fees.

The Assurance Framework is appropriate for the level of risks faced by the organisation. OFFA's risks are clearly set out and defined and their management is assigned to the relevant people within the organisation as appropriate to their authority and duties. The allocation of roles and responsibilities within OFFA in respect of risk management has ensured that OFFA's risk management activities remain effective.

Following agreement with DIUS, and due to its small size, OFFA is not required to have an audit committee. External auditors are able to raise issues with the sponsoring team in the DIUS and subsequently the DIUS audit committee and the internal auditors' terms of reference include a clear reporting line for the Head of Internal Audit to the DIUS Accounting Officer and Head of Internal Audit. No such matters were raised in 2007-08.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control.

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

- Regular discussions with OFFA managers regarding OFFA's strategic direction and business and operational plans. This includes identification of risks and agreement on ensuring appropriate control measures are being taken.

- Reports from managers within OFFA who have responsibility for the development and maintenance of the internal control framework including risk management.
- Reports from the internal audit service provided by HEFCE under the Service Level Agreement.
- An annual report from the Head of Internal Audit, provided under the Service Level Agreement, which includes an opinion on the effectiveness of the risk management process and adequacy of internal controls.
- Comments made by the external auditors in their management letter and other reports.

I have been advised on the implications of the results of my review of the effectiveness of the system of internal controls by my senior managers and no significant internal control issues have been identified which would have affected the achievement of OFFA's objectives or goals. Plans to ensure continuous improvement of the system are in place.



Sir Martin Harris

Director and Accounting Officer
Office for Fair Access

14 May 2008



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 for the year ended 31 March 2008 under the Higher Education Act 2004. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement 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 Report that is described in that report as having being audited.

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

The Office for Fair Access and Director as Accounting Officer is responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Higher Education Act 2004 and directions made thereunder by the Secretary of State for Innovation, Universities and Skills and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Office for Fair Access and the Director's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Higher Education Act 2004 and directions made thereunder by the Secretary of State for Innovation, Universities and Skills. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Management Commentary, is consistent with the financial statements. I also report whether in all material respects the expenditure and

income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Office for Fair Access has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Office for Fair Access's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of Office for Fair Access's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Office for Fair Access and the Director in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Office for Fair Access's circumstances, consistently applied and adequately disclosed.

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

Opinions

Audit Opinion

in my opinion

- the financial statements give a true and fair view, in accordance with the Higher Education Act 2004 and directions made thereunder by the Secretary of State for Innovation, Universities and Skills, of the state of the Office for Fair Access affairs as at 31 March 2008 and of its net expenditure for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Higher Education Act 2004 and directions made thereunder by the Secretary of State for Innovation, Universities and Skills, and
- information given within the Annual Report, which comprises the Management Commentary, is consistent with the financial statements.

Audit Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

T J Burr
Comptroller and Auditor General

National Audit Office
151 Buckingham Palace Road
Victoria
London
SW1W 9SP

16 May 2008

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



Income and Expenditure account for the year ending 31 March 2008

	<i>Note</i>	Year ended 31 March 2008 £	Year ended 31 March 2007 £
Income			
Other income	2	15,001	15,258
		15,001	15,258
Expenditure			
Running costs			
Staff costs		242,751	240,628
Other administration	4	187,620	207,933
Total expenditure		430,371	448,561
Total net expenditure before interest		415,370	433,303
Notional interest on capital	5	295	269
Total net expenditure after interest		415,665	433,572
Reversal of notional interest on capital		(295)	(269)
Net expenditure for the year transferred to general reserves		415,370	433,303

All O A operations are continuing.

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

The notes on pages 41 to 48 form part of these accounts.

Balance Sheet as at 31 March 2008

	<i>Note</i>	As at 31 March 2008 £	As at 31 March 2007 £
Current assets			
Debtors	6	15,000	15,000
Cash at bank and in hand		34,230	37,170
		49,230	52,170
Creditors			
Amounts falling due within one year	8	(6,550)	(6,620)
Net current assets		42,680	45,550
Total net assets (liabilities)		42,680	45,550
Represented by			
Reserves			
General reserve	10	42,680	45,550
		42,680	45,550

Mr Martin Harris
Director and Accounting Officer
Office for Fair Access

14 May 2008

The notes on pages 41 to 48 form part of these accounts.

Cash Flow Statement for the year to 31 March 2008

	Note	Year ended 31 March 2008 £	Year ended 31 March 2007 £
Operating activities			
Receipts			
Other receipts		15,001	15,258
		15,001	15,258
Payments			
Administration costs		430,441	449,932
		430,441	449,932
Net cash in flow (out flow) from operating activities	11a	(415,440)	(434,674)
Net cash out flow from capital expenditure		0	0
Financing			
Grant in aid received through the Department for Innovation, Universities and Skills	1 10	412,500	440,000
(Decrease) increase in cash for the year	11b	(2,940)	5,326

The notes on pages 41 to 48 form part of these accounts.

Notes to the Accounts for the year to 31 March 2008

1 Accounting policies

Basis of accounting

The financial statements are drawn up in accordance with a direction given by the Secretary of State for Innovation, Universities and Skills, with the consent of the Treasury and in accordance with the Higher Education Act 2004 (paragraph 8 (1) of Schedule 5). They are prepared in accordance with the 2007-08 Government Financial Reporting Manual (FRoM) issued by HM Treasury. The accounting policies contained in the FRoM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

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

Accounting convention

The accounts are prepared under the historical cost convention, modified by the revaluation of fixed assets where applicable.

Funding concern

The net expenditure shown on the income and expenditure account is fully funded by DIUS through running cost grant-in-aid. This funding is taken directly to reserves (note 10).

Financial instruments

FRS 13 requires organisations to disclose information on the possible impact of financial instruments on its risk profile, and how these risks might affect the organisation's performance and financial condition. As a non-departmental public body (NDPB) funded by the Government, OFFA is not exposed to any liquidity or interest rate risks. OFFA has no overseas operations and does not operate any foreign currency bank accounts; as such it is not subject to any foreign currency risks.

Fixed assets

OFFA has no tangible fixed assets.

Grants from the Department for Innovation, Universities and Skills (DIUS)

All Grant in Aid (GIA) from the DIUS 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.

Income

Income is received from the Department for Employment and Learning Northern Ireland (DEL) in respect of services provided under a service level agreement covering advice on access agreements in Northern Ireland. Miscellaneous income is also received from other organisations and this is accounted for on an accruals basis.

Accounting for Service Level Agreement with HEFCE

The costs of staff seconded to OFFA under the Service Level Agreement with HEFCE are included in staff costs. The cost of central support functions provided under the agreement, including the costs of staff performing these activities, are included within other administration costs.

Notional costs

The FReM requires NDPBs to disclose the full cost of their activities in their accounts. OFFA has therefore included in its accounts charges for the notional cost of capital. The cost of capital has been arrived at by using the HM Treasury prescribed rate of 3.5 per cent per annum of the average capital employed. In accordance with HM Treasury guidance, non-interest bearing bank balances with the Office of the Paymaster General and the Bank of England are excluded from the calculation of capital employed.

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 2008.

Pension costs

Employees seconded from the Higher Education Funding Council for England (HEFCE) are members of the Principal Civil Service Pension Scheme (PCSPS). This is a multi-employer defined benefit scheme treated for accounting purposes as a defined contribution scheme. The scheme is described in more detail in the remuneration report.

Taxation

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

2 Other income

	Year ended 31 March 2008 £	Year ended 31 March 2007 £
Running costs		
Miscellaneous income	15,001	15,258
Total other income	15,001	15,258

Of this amount £15,000 is in relation to income from the Department of Employment and Learning Northern Ireland in respect of services provided under a Service Level Agreement. The financial objective of such an arrangement is to recover contributions against costs, rather than to generate additional income.

3 Salaries and wages

Staff costs

	Year ended 31 March 2008 £	Year ended 31 March 2007 £
Staff employed by O & A including directly seconded staff		
Salaries	186,587	178,688
National Insurance contributions	17,446	16,638
Pension costs	25,360	26,393
	229,393	221,719
Costs of employing contract, agency and temporary staff*	13,358	18,909
	242,751	240,628

* This line includes the payments to the Advisory group members (2007-08: £nil; 2006-07 £2,550)

The cost of outsourced internal audit has been reclassified from salaries and wages (costs of employing contract, agency and temporary staff) to other administration. The prior year comparatives have been restated accordingly.

Staff numbers

	Year ended 31 March 2008 Number	Year ended 31 March 2007 Number
The average actual number of staff employed, including the Director, expressed as full time equivalents was	3.3	2.9
Average number of contract, agency and temporary staff	0.4	0.6
	3.7	3.5

Salaries

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

Pay settlements (for HEFCE seconded staff) consist of an element of revaluation to take account of the effects of inflation, and an element of progression related to performance against objectives. Annual

settlements are awarded from 1 August each year (1 April for Director) and relate to individuals performance in the previous financial year. Awards are paid as consolidated increases in basic pay up to the maximum rate for the job, and as non consolidated lump sums above it. Members of staff are also eligible for a non-consolidated performance related bonus. OFFA has agreed to continue this policy for HEFCE seconded staff.

4 Other administration

	ear ended 31 March 2008 £	ear ended 31 March 2007 £
Internal audit fee	6,550	6,300
Consultancy and legal fees	20,403	42,579
General administrative payments	1,485	1,520
Publications, printing, publicity	18,027	5,247
Recruitment and training	6,665	7,563
Service Level Agreement with		
Accommodation and housing services	28,260	28,300
Training and HR services	46,896	46,844
Budget Management and Assurance services	16,156	20,783
Other general expenses	25,465	21,768
Internal Audit provided by	6,149	6,110
Internal Audit outsourced	3,096	7,579
Telephone and postage	635	1,042
Travel and subsistence for staff	7,833	12,298
	187,620	207,933

The external auditors received no remuneration for non audit services.

HEFCE provides internal audit services to OFFA as part of the Service Level Agreement. These services can be performed either by HEFCE's own staff or outsourced at the Head of Internal Audit's discretion. In previous years the outsourced costs were included within salaries and wages (costs of employing contract, agency and temporary staff). These costs have now been classified as other administration to aid comparison of total internal audit costs between years. The prior year comparatives have been restated accordingly.

5 Optional costs

	Year ended 31 March 2008 £	Year ended 31 March 2007 £
Capital employed as at 1 April	8,380	7,009
Capital employed as at 31 March	8,450	8,380
Average capital employed	8,415	7,694
Optional interest on capital	(295)	(269)

6 Debtors

	As at 31 March 2008 £	As at 31 March 2007 £
Debtors	15,000	15,000
Prepayments	0	0
	15,000	15,000

7 Details of cash balances at year end

	As at 31 March 2008 £	As at 31 March 2007 £
Cash held at the Bank of England in respect of running costs	34,230	37,170
	34,230	37,170

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

8 Creditors: Amounts falling due within one year

	As at 31 March 2008 £	As at 31 March 2007 £
Running costs accruals	6,550	6,620
	6,550	6,620

9 Debtors and creditors balances with other government bodies

	Debtors balance as at 31 March 2008 £	Creditors balance as at 31 March 2008 £
Other central government bodies	15,000	0
Local authorities	0	0
Non-UK Trusts	0	0
Total Debtors and Creditors with other government Bodies	15,000	0
Other Debtors and Creditors	0	6,550
Total as per the Debtor and Creditor Note	15,000	6,550

10 General reserves: Reconciliation of movement in funds

	As at 31 March 2008 £	As at 31 March 2007 £
Opening balance	45,550	38,853
Grant in Aid	412,500	440,000
Net expenditure for the year	(415,370)	(433,303)
Closing balance General reserve	42,680	45,550

11a Reconciliation of net expenditure to net cash flow from operating activities

	Year ended 31 March 2008 £	Year ended 31 March 2007 £
Net expenditure for the year	(415,370)	(433,303)
Decrease / increase in debtors	0	449
Increase / decrease in creditors	(70)	(1,820)
Net cash in flow (out flow) from operating activities	(415,440)	(434,674)

11b Reconciliation of net cash flow to movement in net funds

	Year ended 31 March 2008 £	Year ended 31 March 2007 £
Net funds at 1 April	37,170	31,844
Increase / decrease in cash for the year	(2,940)	5,326
Net funds at 1 March	34,230	37,170

12 Contingent liabilities

OFFA had no contingent liabilities at 31 March 2008.

13 Related party transactions

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

OFFA has a Service Level Agreement (SLA) with HEFCE, through which HEFCE provides a number of services to OFFA. During the year OFFA paid HEFCE £305,183 (2006-07: £292,417) for the services provided through the SLA including the costs of directly seconded staff. Of this amount £182,257 (2006-07: £168,612) relates to staff costs.

Details of relationships are held in OFFA's register of interests, which is available on request.

14 Events after the balance sheet date

There have been no events after the balance sheet date requiring an adjustment to the financial statements.

The financial statements were authorised for issue on the 16 May 2008 by Sir Martin Harris (Accounting Officer).

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