

**Office for Fair Access**

**Annual report and accounts**

**2015-16**



# **Office for Fair Access Annual report and accounts 2015-16**

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

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# Contents

	<b>page</b>
Performance report .....	2
Overview .....	2
Performance analysis .....	6
Accountability report .....	16
Corporate Governance report .....	16
Statement of the Responsibilities of the Director of Fair Access to Higher Education.....	17
Governance statement .....	18
Remuneration and staff report .....	28
Director of Fair Access to Higher Education .....	28
Staff Report .....	29
Parliamentary Accountability and Audit Report .....	30
Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament .....	31
Financial statements .....	33

# 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 the Department for Business, Innovation and Skills (BIS). On 14 July 2016, following a machinery of Government change it was announced that OFFA's sponsoring department is now the Department for Education.

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, £6,000 for full-time courses and £4,500 for other courses).

Since OFFA was formed, Ministerial guidance has clarified and developed our remit. Most recently, in 2011, Ministerial guidance to the Director of Fair Access to Higher Education ('the Director') 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 and addresses our future 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; and the advice we give institutions on the development of access agreements.

Clause 16 of the Enterprise Act 2016, which received Royal Assent on 4 May 2016, proposes an amendment to the Deregulation Act 2015 which will require 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. Pending a statutory instrument, OFFA will be subject to a first time reporting requirement in the financial year to 31 March 2017.

## **Risks**

The principal risks facing OFFA are set out in the annual governance statement (see page 21). 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 the current financial year, we received our 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', the Higher Education and Research Bill, which is

the first new draft legislation for higher education in 12 years, was introduced in the 2016 Queen's Speech. The Bill proposes changes in the operating remit of the Director.

### **Resource budget**

The annual resource budget is based on the Director's requirements as agreed with BIS. 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 revised allocation has been significantly lower than the indicative allocation, and in 2015-16 the Director successfully negotiated a small increase in the resource budget.

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

Grant-in-aid is currently the only source of funding to OFFA. The Director receives grant-in-aid from the Secretary of State for Business, Innovation and Skills 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 BIS and OFFA. In line with other non-departmental public bodies, OFFA regards income from BIS' 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 June 2011 higher education White Paper 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 for these years from BIS. The additional resource has enabled the Director to increase the size and capability of his office, to resource the new strategic plan described in this report, and to ensure OFFA's operations are suitable for the higher education landscape and regulatory environment.

However constraints over public spending since 2013 have meant that the expansion to the desired resource level was not completed. The administration budget was agreed during 2015-16 after negotiations between BIS and OFFA. With negotiations underway, the 2016-17 budget has been indicated in an interim letter of allocation to the Director but has still to be finalised with BIS.

OFFA moved into a negative net asset position in 2013-14 when net cash outflows substantially exceeded income. In the past two years, with improved cash management, the net asset position remains negative but at a reduced level. The Director's assessment of going concern for 2015-16 takes into account this information and the ability of OFFA to mitigate financial business and operational risks.

The formation of a new regulatory body, which is proposed in the 2016 Higher Education and Research Bill, may lead to OFFA being directed to cease operations in the event that legislation is passed. A new non-departmental public body is proposed, the Office for Students which will, under new legislation, embody the statutory functions of the Director. 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 2015-16, OFFA's administration budget has increased by more than 60 per cent, although expenditure remains very low for a public body at just over £1.6 million in 2015-16. 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 numbers of institutions submitting access agreements, to implement its new strategic plan and to improve internal governance. In 2016-17, OFFA's budget and expenditure are expected to increase beyond the 2015-16 level as the Director commits further resource to addressing new Ministerial guidance.

<i>Financial year</i>	<i>2012-13</i>	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>
	<i>(£)</i>	<i>(£)</i>	<i>(£)</i>	<i>(£)</i>
Grant-in-aid	954,795	1,313,000	1,630,000	1,653,000
Actual expenditure	973,304	1,382,066	1,602,965	1,621,537
Year-end cash balance held	138,761	8025	31,435	120,684
Taxpayers' equity	89	(68,977)	(41,942)	(10,479)

## Sustainability

OFFA has a service level agreement (SLA) 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 for

2011-2015<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.

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<sup>2</sup> 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 large proportional increases in the proportions of entrants from disadvantaged areas. As Figure 1 shows, from 2006-07 to 2014-15 the proportion of entrants from the most disadvantaged areas (POLAR3 quintile 1) increased from 15.8 per cent to 25.3 per cent, a proportional increase of 60 per cent. In the last one year this rate has increased by 6 per

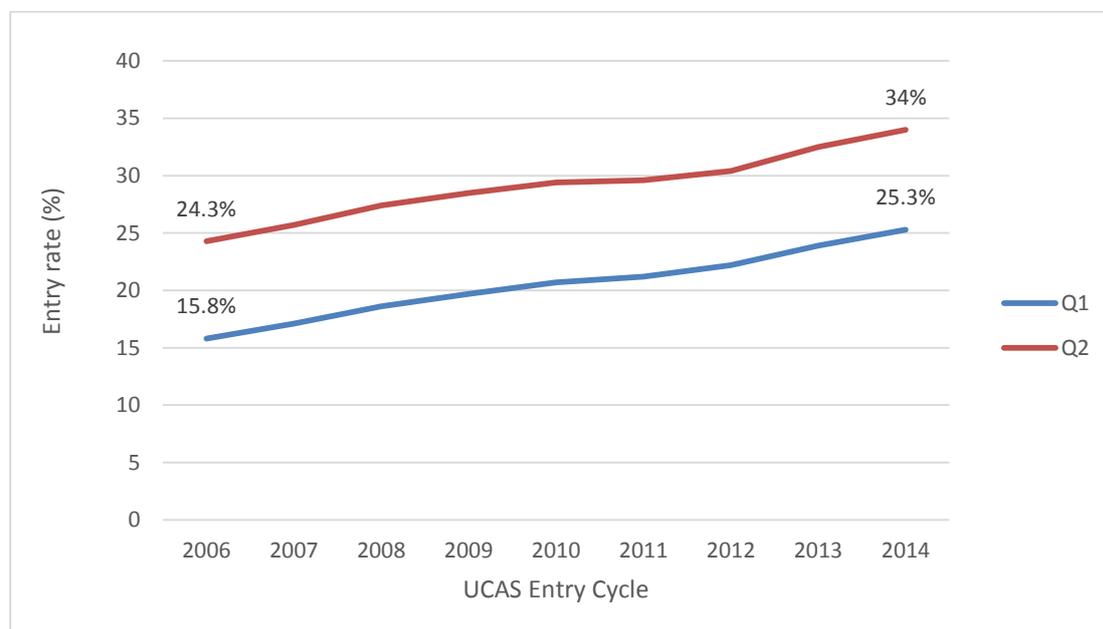
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<sup>1</sup> Available at [www.hefce.ac.uk/about/csr/](http://www.hefce.ac.uk/about/csr/)

<sup>2</sup> The POLAR (Participation of Local Areas) classifies local areas into five groups, based on the proportion of 18 year olds who enter higher education aged 18 or 19 years old. These groups range from quintile 1 areas, with the lowest young participation (most disadvantaged), up to quintile 5 areas with the highest rates (most advantaged). There are several iterations of this classification, of which the most recent is POLAR3.

cent. Over the same nine year period, the entry rate from quintile 2 increased from 24.3 per cent to 34 per cent, a proportional increase of 40 per cent.

**Figure 1: Entry rate among the most disadvantaged (POLAR3 quintiles 1 and 2), in England**



Source: UCAS *End of cycle report 2015: UCAS analysis and research*<sup>3</sup> (December 2015)

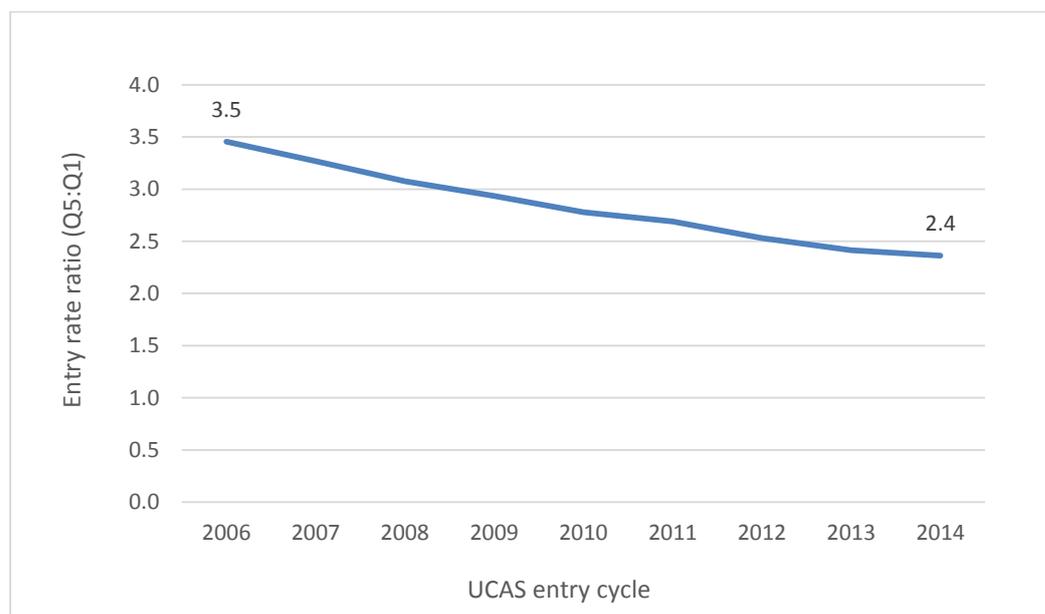
On the whole, the sector has seen a decline in the rate of progress and we are working with institutions to increase their pace by setting more stretching and ambitious targets.

The ratio between POLAR3 quintile 5 (the least disadvantaged areas) and quintile 1 has reduced since 2006, and the current entry rate in least disadvantaged areas is 2.4 times more than that in the most disadvantaged areas (see Figure 2).

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<sup>3</sup> <https://www.ucas.com/sites/default/files/eoc-report-2015-v2.pdf>

**Figure 2: Difference in entry rate between the most (POLAR3 quintile 1) and least (POLAR3 quintile 5) disadvantaged groups**



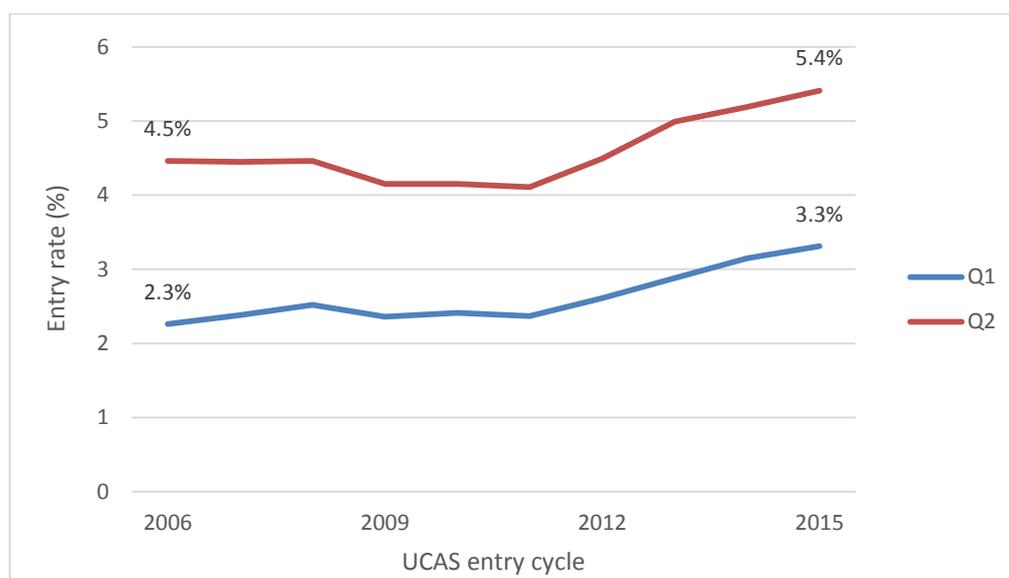
Source: UCAS *End of cycle report 2015: UCAS analysis and research*<sup>2</sup> (December 2015)

**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 POLAR3 quintile 1 and 7 per cent from POLAR3 quintile 2 entering high 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 2006-07 to 2015-16, entry rates for 18 year-olds in high tariff English higher education providers increased from 2.3 per cent to 3.3 per cent for POLAR3 quintile 1, and from 4.5 per cent to 5.4 per cent for quintile 2 (Figure 3). In the last year, quintile 1 and 2 entry rates to high tariff institutions have increased by 5 and 4 per cent respectively. The current quintile 5 to quintile 1 ratio is 6.3:1, a slight decrease from last year (6.5:1). Despite these improvements, entry rates in high tariff institutions continue to be much lower than the national average. While there has been a significant improvement in this area in the last 10 years, more needs to be done in order to achieve the target.

**Figure 3: Entry rate among the most disadvantaged (POLAR3 quintile 1) in high tariff institutions in England**



Source: UCAS *End of cycle report 2015: UCAS analysis and research* (December 2015)

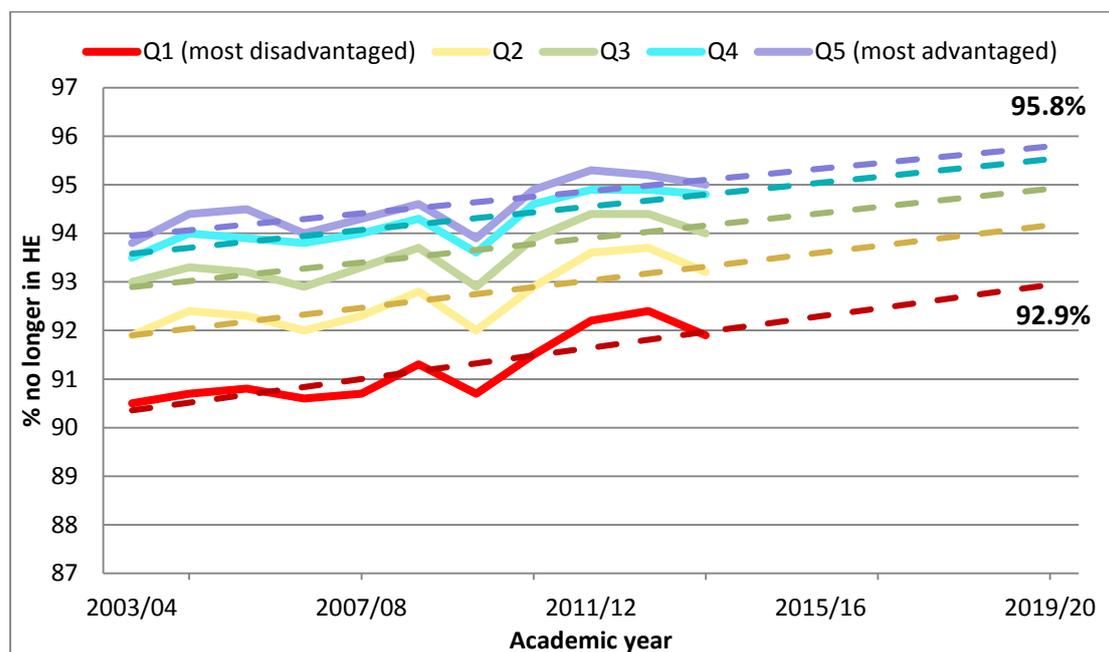
**To improve continuation rates for students from under-represented and disadvantaged groups and narrow the gap in non-continuation rates between advantaged and disadvantaged students**

In our strategic plan, our target is that by 2019-20, 92 per cent of young entrants from POLAR3 quintile 1 are still in higher education after their first year. Following a recent data revision<sup>4</sup>, the target has been revised so that by 2019-20, 92.9 per cent of young entrants from POLAR 3 quintile 1 are still in higher education. According to latest figures published by the Higher Education Statistics Agency (HESA), in 2013-14 91.8 per cent of young entrants from POLAR quintile 1 were still in higher education after their first year. This continuation rate is slightly lower than the previous year when 92.3 per cent of young entrants continued in higher education after one year (see Figure 4).

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<sup>4</sup> This target was set using data from Higher Education Funding Council for England (HEFCE)'s briefing Non-continuation rates: Trends and profiles, available at <http://www.hefce.ac.uk/analysis/ncr/>.

**Figure 4: Proportion of students no longer in higher education (non-continuation rate) in England, by level of advantage/disadvantage**



Source: HESA UK Performance Indicators<sup>5</sup>

**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**

**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**

As in previous years, these two indicators are being addressed together. As the *National strategy for access and student success* (BIS publication 14/516) stresses, to maximise effectiveness, institutions need to take a broad view of widening participation encompassing a student's entire lifecycle, in other words an approach in which disadvantaged students are supported not only to prepare for and access higher education, but also on their journey through their course and in preparing to progress to employment or further study. Currently there are significant differences in attainment and employment outcomes for different groups of students, as Table 1 shows.

<sup>5</sup> Available at <https://www.hesa.ac.uk/pis/noncon>

**Table 1: Differences in degree outcomes by student characteristics, 2013-14**

WP characteristics	WP groups	Differential outcomes
<b>Low participation neighbourhood (POLAR)</b>	Most disadvantaged	-3%
	Least disadvantaged	
<b>Disability</b>	Disabled	-3%
	Not disabled	
<b>Ethnicity</b>	BME	-15%
	White	
<b>Age</b>	Mature	+7%
	Young	
<b>Mode of study</b>	Part time	-14%
	Full time	

Source: HEFCE publication 2015/21<sup>6</sup> *Differences in degree outcomes: The effect of subject and student characteristics*

However, current research on destination of leavers from higher education and student characteristics is very limited, and the majority has taken a snapshot approach that observes patterns of employment and degree outcomes in a single cohort of graduates; very little research using the latest data is available. As a result, we have so far been unable to find a suitable time series to enable us to compare progress over time in this area.

In order to meet this objective, we are working with experts in the sector (and seeking further expert partners) to quantify the targets and to identify more robust ways of measuring our progress against them. For instance, we are exploring greater use of data from HESA's Destination of Leavers from Higher Education (DLHE) survey to determine trends in post-higher education outcomes. We also continue to ask universities and colleges to consider every stage of the student lifecycle in developing their access agreements, including progression to employment and further study. In our guidance to institutions for 2017-18 access agreements, we particularly encouraged them to include more information about their plans to support widening participation in postgraduate study.

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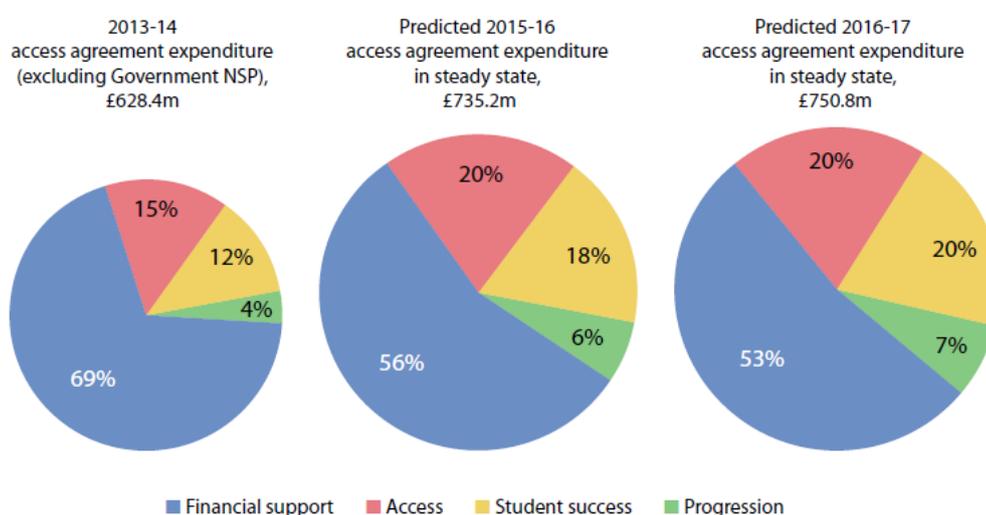
<sup>6</sup> Available at <http://www.hefce.ac.uk/pubs/year/2015/201521/>

## 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 2016-17, 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. This is shown in Figure 5.

**Figure 5: Proportional breakdown of sector-wide access agreement expenditure by type**



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**

Improving the evidence base has been a key priority for us in 2015-16. 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.

A key emphasis for our work on evidence has been the impact of financial support. In June, we appointed a research team led by Sheffield Hallam University's Centre for Education and Inclusion Research to improve evaluation and understanding of the impact of the financial support that universities and colleges give to students from disadvantaged backgrounds. The project successfully developed and piloted a set of resources for assessing the impact of student bursaries and is now testing the model with a wider group of institutions before publishing its findings later in 2016. We also asked institutions to report their findings of evaluation of financial support schemes in the 2014-15 monitoring process.

We also developed a new project looking at the evaluation of the impact of outreach interventions on access to higher education. This will be a major focus of our work over the coming year. As part of this work, we facilitated a two day symposium to support the development of a network of interest which will work collaboratively in building expertise and initiatives in the evaluation of outreach.

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

We continue to champion progress and highlight continuing challenges, and our sole focus on access regulation means that we have over the past year been a high-profile advocate for fair access issues. In particular, we 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.

As part of this, we launched a series of online briefings which bring together evidence, good practice and resources on key topics to help universities and colleges develop smarter, more evidence led policy and practice. Topics included mature learners, disabled students, financial support, and black and minority ethnic students. The 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 plan to develop this work further during 2016.

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 ensure that activity delivered through access agreements dovetails closely with work funded through the Student Opportunity Fund and the National Networks for Collaborative Outreach.

We have also continued to work closely with HEFCE on our joint monitoring of access agreements, the Student Opportunity allocation and the National Scholarship Programme, 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, including the statutory elements which will come under secondary legislation in the Small Business, Enterprise and Employment and Deregulation Acts during 2016-17. We reviewed our compliance in 2014-15 and have improved our practices and processes, working with universities and colleges on specific areas of policy development. For example, we now work in a more transparent, open fashion in our approach to minor access agreement breaches, publishing cases in which minor breaches have been resolved for the benefit of students and providing institutions with greater flexibility in resolving minor breaches.

We delivered access agreement decisions for 2016-17 by our deadline of 31 July 2015 to all institutions that submitted a complete access agreement by our submission deadline of 8 May 2015. We have used feedback from institutions on our 2016-17 access agreement process 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 2015-16 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.

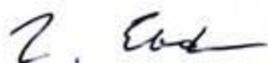
**Deliver value for money in all of our services**

We use two-thirds of our annual budget allocation for frontline services and policy development. We have kept our back office costs down to 33 per cent of annual expenditure 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 quarterly reports to Government have consistently shown expenditure within 4 per cent variance of the annual budget and cash flow forecasts have ensured we maintain our working capital within limits agreed with BIS.

In 2015-16 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 2016-17 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: 14 July 2016

## **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 2015-16. 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 £78,000, which is non-pensionable.

## **Corporate Governance report**

### **Director's report**

The Director of Fair Access to Higher Education at 31 March 2016 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 in 2015-16.

### **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 2016, the target was met for 98 per cent of invoices (*2014-15: 100 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 92 per cent in 2014-15 (*99 per cent in 2014-15*). During 2015-16 our performance against a five-working-day payment target was 83 per cent (*84 per cent in 2014-15*).

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 2015-16.

## **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 SLA 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 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.

## **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, through its SLA 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 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 Business, Innovation and Skills, 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.

The Accounting Officer for BIS 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 *Managing Public Money* as published by HM Treasury.

In preparing the accounts, I am required to comply with the requirements of the Government Financial Reporting Manual (FRM) and in particular to:

- observe the accounts direction issued by the Secretary of State for Business, Innovation 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 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 is an executive non-departmental public body, which is commonly known as the Office for Fair Access (OFFA). As Accounting Officer, accountable to the Secretary of State for Business, Innovation and Skills, 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 the Treasury's guidance *Managing Public Money* including recent guidance on risk management and the reform of relationships between Government departments and their arm's length bodies. 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 with regard to Ministerial guidance along an affordable and sustainable path.

### **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.

### **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 (for example on outreach, financial support for students, and retention and student success) 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 on the advice of HM Treasury and the BIS Head of Governance, 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.

### **Financial authority and accountability**

As set out in legislation, I am responsible solely to the Secretary of State and thence to Parliament. I am independent from Government, though I exercise my duties in accordance with regulations and 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 BIS 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 have a framework document with BIS 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 BIS who is its Accounting Officer. OFFA adopts HEFCE's financial control framework, as applied to the processing of financial transactions, a service which is delivered to OFFA as part of our SLA 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 the 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 an organogram, together with details of individual financial transactions above £25,000, on OFFA's

website<sup>7</sup>. In 2015-16 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 SLA 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 2015-16.

### **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 SLA. For this reason an important part of the control environment is my monitoring of the effectiveness of the SLA 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 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 BIS Head of Internal Audit and/or BIS Accounting Officer if appropriate. This right of access is routinely used to provide the internal audit annual report to BIS 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 KPIs 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 BIS 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 is 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 2015-16 in order of amount are

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<sup>7</sup> Available at [www.offa.org.uk/about/transparency-data](http://www.offa.org.uk/about/transparency-data)

staff pay, the SLA with HEFCE, which is reviewed annually, and expenditure on research consultancy work.

The Finance and Governance Manager (under delegation from the Assistant Director) monitors grant receipts, administration expenditure and cash management against the rolling forecast every month. Variances against the master budget are reviewed at the end of each quarter, in line with the requirements of BIS, and I am made aware of any material issues arising. The Assistant Director also discusses plans to change the structure of OFFA's human resource with me. OFFA's annual pay remit is negotiated jointly with HEFCE but 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 the Government to deliver good value on my aims and objectives. In this connection, I am required to report in person on performance twice every year to the BIS Director General, Finance, Commercial and Digital Transformation.

OFFA's principles are also subject to challenge on a regular basis through the review of OFFA's control framework by internal audit. I gain additional assurance about value for money through the annual renegotiation of our SLA 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 I have 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 a new member with skills which will improve the quality of our knowledge of higher education policy development. The group's current membership can be found on OFFA's website<sup>8</sup>. The group met three times in the accounting period.

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<sup>8</sup> See [www.offa.org.uk/about/offa-advisory-group](http://www.offa.org.uk/about/offa-advisory-group)

OFFA discusses current strategy and policy matters with the BIS Higher Education 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 these 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. OFFA also conveys its expectations through access agreement guidance to institutions that they should address equality and diversity in their access planning.

### **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 objectives which have in turn determined our approach to governance and risk management. The system of internal control for 2015-16, which accords with guidance from HM Treasury and BIS, 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 2016 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 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 that is documented in a risk register which 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 BIS 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 from internal audit).

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 has been revised since the date of the last annual report to include 12 strategic risks. These address the limitations we foresee in making progress against the KPIs against which we report in 2015-16. These high level risks also reflect 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 whose provisions we now address within our KPIs. OFFA continues to undergo a governance and management transition in 2015-16 and has embarked on an organisation-wide review of its business culture and processes in order to develop its plan for efficiency and effectiveness in the light of the pressure on public finances in the current spending period. In view of this we have introduced three new items to the register covering the risks of regulatory failure, failure to deliver good value for money within our financial resource allocation and failures in strategic and operational planning.

### 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. 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. Significant risks and their status at the year-end date are listed in the table below:

Strategic risk		Plan of risk mitigation
Strategic risk 1	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	Institutions could go further to ensure that their access agreement expenditure is evidence led. To address this, OFFA is using early information from the 2014-15 monitoring data to secure evidence on effectiveness of proposed versus actual access activities within institutions. OFFA is also examining whether it can use high quality data collected from other sources in the higher education system on access and student success. OFFA has already embarked on a project to improve the consistency of expenditure data and strengthen data assurance in this area.
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	Through the continual improvement of its access agreement and monitoring guidance and processes, OFFA is increasing its challenge to and support for institutions to evaluate their own outputs and outcomes, encouraging evidence led expenditure and faster progress towards their targets.

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	OFFA continues to develop its evidence and good practice function, enhancing our understanding of the evidence and feeding this back into the development and dissemination of OFFA policy, through topic briefings, the annual access agreement guidance and our wider conversations with institutions and the sector. Our policy is to support more robust evaluation methods, work with the sector to address gaps in the evidence landscape, and conduct regular reviews on whether we can have greatest impact in signposting the most effective actions.
Strategic risk 4	If OFFA fails to set the research agenda in its messages to institutions then OFFA will fail to stimulate progress in research and the application of evidence from research in its future guidance	OFFA is working in collaboration with institutions and other sector bodies to create a more open and informed conversation about how to deliver more and better evaluation and research that impacts on policy and practice across the widening participation lifecycle. We are doing this by working increasingly in partnership with researchers in higher education and raising the profile of academic research through a series of conferences.
Strategic risk 5	If OFFA's messages are not clear and are not delivered effectively then OFFA's priorities and the rationale behind them will not be understood	OFFA is further developing its communications and stakeholder engagement plans to ensure that our messaging is clear and directed effectively to the right audiences. This is supporting improvements to OFFA's public and media engagement, stakeholder relations, website, publications and communication with institutions.
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. To ensure this continues, policy decisions are carefully considered and backed by legal advice where necessary. Any unintentional bursary and fee 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, the risk of dispute may increase in future, in particular through individual complaints. OFFA has this year consulted on and implemented a new policy on a transparent approach to the disclosure of minor breaches of access agreements which have been successfully resolved.
Strategic risk 7	If OFFA fails to support, motivate and develop its	OFFA is implementing a cultural change programme that includes the development of clearer roles, new

	<p>staff through a positive OFFA experience then we will fail to attract and retain excellent people resulting in a loss of efficiency and effectiveness</p>	<p>working practices and a greater emphasis on staff induction and development. 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.</p>
Strategic risk 8	<p>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</p>	<p>As well as working to improve the quality of information gathered from the sector on the outcomes and impact of their access agreements, OFFA is following up recommendations from a comprehensive value for money audit review. The recommendations from this will lead in the coming year to improved business planning, financial forecasting and planning and greater efficiencies across the organisation.</p>
Strategic risk 9	<p>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</p>	<p>OFFA has a strategic plan commitment to undertake 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 five functions. An extended planning horizon forms the basis of the corporate plan for 2015-2018.</p>
Strategic risk 10	<p>If OFFA fails to anticipate and react appropriately and swiftly to policy changes in Government and by other regulators then it will fail to protect access, to advise institutions reliably and to create a coherent policy environment for access for the sector</p>	<p>OFFA is experienced in responding swiftly to central policy changes that have required the rapid redeployment resources in order to deliver outcomes to Government expectations. The Director meets regularly with BIS 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.</p>
Strategic risk 11	<p>If OFFA does not succeed in preserving or enhancing, through the appropriate legal, constitutional, financial and operational arrangements, the powers, role and reputation which are associated with the Director of Fair Access and his office, then the impact</p>	<p>A new and simpler regulatory system is envisaged in the Government's White Paper 'Success as a Knowledge Economy: Teaching Excellence Social Mobility and Student Choice'. The place of the Director in the new corporate structure envisaged, the Office for Students, has been set out in draft legislation, which is expected to go to committee stage by early autumn. OFFA is working with BIS in the early stages of planning as part of the Higher Education Landscape</p>

	of OFFA in driving progress in improving fair access will be diluted by the absence of a public officer who is separately accountable to Parliament	Reform Programme Board, although the outcome is predicated on the final form of legislation.
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 BIS digital transformation. We are creating new policies on information management, data security, and knowledge and information awareness.

In addition to managing its strategic risks, OFFA is addressing the changes required to deliver its strategic plan and the new letter of guidance from the Secretary of State and Minister. 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 to implement the *National strategy for access and student success* (BIS publication 14/516) in higher education, as presenting new opportunities and benefits to OFFA as it seeks to work towards the objectives for higher education in BIS' corporate plan.

### **Ministerial guidance**

It is normal for me to receive guidance from Ministers at points of significant policy or Government change. In February this year a new letter of Ministerial guidance was published which set out new expectations for me as Director of Fair Access to Higher Education. The letter asks us to 'go further and faster in transforming people's life chances' and to help the Minister to 'achieve the Prime Minister's ambitious goals' on access by 2020. The guidance places a focus on fair access for students from specific under-represented and disadvantaged groups in society, including the targeting of low participation neighbourhoods and people from black and minority ethnic groups. Since the guidance takes immediate effect, these objectives are being built into our planning for early in the next financial year.

### **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 from HEFCE was withdrawn and the role of interim Head of Internal Audit was discharged by an independent provider between August and March. Based on his recommendations and my

management responses, the annual internal audit opinion to the Director of Fair Access to Higher Education for 2015-16 is as follows:

‘On the basis of the work that we have undertaken, it is our opinion that OFFA has in place governance, risk management and internal control arrangements that are sufficient to allow it to achieve its strategic objectives. There is, however, scope for OFFA to improve the efficiency and effectiveness of these arrangements. OFFA recognises this and is taking action to secure the necessary improvements.’

### **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.

Before the year end I undertook, with my senior management team, a formal review of governance effectiveness. This year we also adopted a systematic evaluation of OFFA’s corporate governance. The review covered a comprehensive assessment of our assurances and our internal control environment based on assurance mapping, and suggested areas to be covered in the coming year’s internal audit plan.

In the meantime, and on the basis of the evidence in relation to my own knowledge of the organisation, and information provided to me by internal and external audit, my conclusion is that the governance and internal control structures for the Office for Fair Access have been appropriate for OFFA’s business and working satisfactorily throughout 2015-16.

## 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 Business, Innovation and Skills. The remuneration of the Director is determined by the Secretary of State for Business, Innovation and Skills. 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). There are no positions in the Director's register of interests which conflict with his management responsibilities. The Director has sole responsibility for the organisation and his Special Advisors and Advisory Group do not constitute a management board.

Figures shown are full-year values unless otherwise stated.

	Year ended	Year ended
	31 March	31 March
	2016	2015
	£000	£000
Professor Les Ebdon, Director	75-80	75-80
September 2012- March 2016 (3 days per week)		
	_____	_____
Total	75-80	75-80
Band of highest paid Director (FTE)		
Total remuneration (FTE) (£000)	125-130	125-130
Median total remuneration	£32,717	£34,436
Remuneration ratio	3.9	3.8

Remuneration shown above is salary. 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 HM Revenue and Customs as a taxable emolument. Professor Ebdon did not receive any benefits in kind or bonuses in 2014-15 or 2015-16, neither did his contract attract any pension benefits. 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. His remuneration is reviewed by BIS on an annual basis in line with that of the heads of other non-departmental public bodies.

As part of central Government's commitment to increase transparency and accountability, OFFA is reporting the median earnings of its workforce and the ratio between this and the earnings of its Director. The 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.

## Staff report

### OFFA's structure

The Director is supported by the Office for Fair Access, with a management team comprising the Assistant Director and four senior managers (two women and two men). At 31 March 2016, OFFA's full-time staff headcount excluding the Director was 23 (15 women and eight men). The pay costs relating to the Director were £87,645 and payroll costs for his staff were £929,951. The following is a full analysis of staff costs with prior year comparable figures:

	<b>2015-16, £</b>	<b>2014-15, £</b>
Director of Fair Access	87,645	87,666
OFFA staff on the payroll	929,951	774,990
Contingent (Agency) workers	39,846	89,225
Special Advisors' and Advisory Group Members' fees	2,750	1,250
<b>TOTAL PAY COSTS</b>	<b>1,060,192</b>	<b>953,131</b>

Total consultancy expenditure amounted to £68,063, of which £56,729 was research and development work related to OFFA regulatory policy and £11,334 was business support consultancy, including internal audit work.

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

### Sickness absence rate

HEFCE monitors sickness absence for all staff directly employed by OFFA. 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 4.9 average working days per staff year was lost in 2015-16. The most recent Civil Service data for UK public service bodies was an average of 8.7 working days lost per staff year.

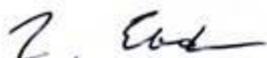
### **Staff policies**

OFFA operates staff policies which are common to HEFCE, which provides OFFA's human resource service under our SLA. 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 2015-16 that can be retained and set against resource or capital budgets. OFFA has incurred no losses, has not made any made special payments, and has not been in receipt of any gifts. OFFA had no remote contingent liabilities at 31 March 2016.



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

Dated: 14 July 2016

# **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 2016 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 2016 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 directions issued by the Secretary of State for Business, Innovation and Skills 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: 14 July 2016

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 2016

	Note	Year ended 31-Mar 2016 £	Year ended 31-Mar 2015 £
<b>Expenditure</b>			
Staff costs	2	1,060,192	953,131
Other expenditures	3	561,345	649,834
Total expenditure		<u>1,621,537</u>	<u>1,602,965</u>
<b>Net expenditure for the year transferred to general reserve</b>		<u>1,621,537</u>	<u>1,602,965</u>

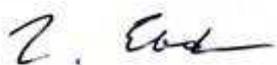
There were no gains or losses other than the net expenditure for the year.

All OFFA operations are continuing.

## Statement of financial position as at 31 March 2016

	Note	31-Mar 2016 £	31-Mar 2015 £
<b>Current assets</b>			
Trade and other receivables	5	3,977	316
Cash	6	120,684	31,435
		<u>124,661</u>	<u>31,750</u>
<b>Current liabilities</b>			
Trade and other current payables	7	(135,140)	(73,691)
		<u>(10,479)</u>	<u>(41,942)</u>
<b>Non-current assets plus net current assets</b>		<u>(10,479)</u>	<u>(41,942)</u>
<b>Assets less liabilities</b>		<u>(10,479)</u>	<u>(41,942)</u>
<b>Taxpayers' equity</b>			
General reserve		<u>(10,479)</u>	<u>(41,942)</u>
		<u>(10,479)</u>	<u>(41,942)</u>

Professor Les Ebdon CBE



Director of Fair Access to Higher Education and Accounting Officer  
Office for Fair Access  
14 July 2016

The notes on pages 37 to 47 are part of these accounts.

## Statement of cash flows for the year to 31 March 2016

	Note	Year ended 31-Mar 2016 £	Year ended 31-Mar 2015 £
<b>Cash flows from operating activities</b>			
Net expenditure		(1,621,537)	(1,602,965)
Decrease/(increase) in trade and other receivables	5	(3,661)	4,958
Increase/(decrease) in trade payables and other current liabilities	7	61,447	(8,583)
<b>Net cash outflow from operating activities</b>		<b>(1,563,751)</b>	<b>(1,606,590)</b>
<b>Cash flows from financing activities</b>			
Grants from parent department		1,653,000	1,630,000
<b>Net cash inflow from financing activities</b>		<b>1,653,000</b>	<b>1,630,000</b>
<b>Net financing</b>			
Net increase in cash for the year	6	89,249	23,410
<b>Cash at beginning of period</b>	6	31,435	8,025
<b>Cash at end of period</b>	6	<b>120,684</b>	<b>31,435</b>

The notes on pages 37 to 47 are part of these accounts.

## Statement of changes in taxpayers' equity for the year ended 31 March 2016

	General Reserve Year ended 31-Mar 2016 £
<b>Balance as at 1 April 2014</b>	<b>(68,977)</b>
<b>Changes in reserves 2014-15</b>	
Grant from parent department	1,630,000
Net expenditure transferred in the year	(1,602,965)
<b>Balance as at 31 March 2015</b>	<b>(41,942)</b>
<b>Changes in reserves 2015-16</b>	
Grant from parent department	1,653,000
Net expenditure transferred in the year	(1,621,537)
<b>Balance as at 31 March 2016</b>	<b>(10,479)</b>

# 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 2015-16 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 of 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.

### Adoption of New or Amended standards effective in 2015-16

OFFA follows reporting guidelines as set out in the Financial Reporting Manual (FReM) 2015-16. **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 2015-16.

## Going concern

The net expenditure shown on the Statement of Comprehensive Net Expenditure is fully funded by BIS through administration resource grant-in-aid. This funding is taken directly to reserves (Statement of Changes in Taxpayers Equity). Funding for 2016-17 has already been included in the Department's estimates for that year subject to OFFA's annual allocation letter, and there is no reason to believe that the Department's future sponsorship and future parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to prepare these financial statements on a 'going concern' basis. The Government signalled in 2012 that funding would be made available for the expansion of OFFA by up to four times. This process was completed in 2014-15. OFFA's budget was reduced by 1.7 per cent in 2015-16 after in-year negotiation of the annual allocation. OFFA's indicative budget allocation for 2016-17 has not been finalised.

## 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 of supporting 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

## 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 Net Expenditure Account.

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 Business, Innovation and Skills (BIS)**

All grant from the parent department (BIS) 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.

## **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 2015.

## **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 numbers and related costs

### Staff costs

	Year ended 31 March 2016 £	Year ended 31 March 2015 £
Staff employed by OFFA (including the Director and directly seconded staff)		
Salaries	803,908	679,344
Social security costs	68,409	60,783
Other pension costs	145,279	116,592
	<u>1,017,596</u>	<u>856,719</u>
Value-added tax on seconded staff	0	5,937
Costs of contingency staff (agency costs and committee fees) <sup>4</sup>	42,596	90,475
	<u>1,060,192</u>	<u>953,131</u>

\*This Line includes the payments to the advisory group members, as detailed below.

Value Added Tax was paid until 2014-15 on Staff Employed by OFFA which are seconded from HEFCE under the SLA.

### Average numbers of persons employed

	Year ended 31 March 2016	Year ended 31 March 2015
The average actual number of full time equivalent persons employed during the year, including the Director, was		
Directly employed	19.7	17.0
Average number of contract, agency and temporary staff	0.6	1.3
	<u>20.3</u>	<u>18.3</u>

### Salaries

Salary includes gross salary (including deductions under salary sacrifice schemes and Childcare vouchers), overtime, annual settlements under the pay remit negotiated jointly with HEFCE, non-consolidated pay under the OFFA staff contribution scheme, 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. 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 29th Feb.

The Director of OFFA was employed three days per week (0.6 FTE) for the duration of the year. The director's salary was determined on his appointment and there was no director's pay award in 2015-16. None of OFFA's staff is employed on capital projects.

## Exit packages

No Civil Service exit packages were awarded in 2015-16.

## High paid Off-payroll appointments

In accordance with HM Treasury guidance the accounts should disclose all off-payroll engagements as of 31 March 2016, for remuneration of more than £220 per day and that last for longer than six months. OFFA had no such appointments at that date.

## 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 may elect to donate it directly to a charitable cause.

Details of payments are shown below.

	Year ended 31 March 2016	Year ended 31 March 2015
	£	£
Dr John Selby, Chair <sup>[1]</sup>	0	0
Femi Bola	0	0
Sir Ivor Crewe	0	0
Dr Penelope Griffin	500	500
Jude Heaton	250	500
Sarah Howls	0	0
Alison Levey (Special Advisor) <sup>[2]</sup>	750	N/A
Dr Lee Elliot Major	0	250
Steve Mc Ardle	750	N/A
Dr Debbie Mc Vitty	0	0
David Malcolm	0	N/A
Nick Hillman	0	N/A
Aaron Porter	0	0
Carol Prokopyszyn (Special Advisor)	0	N/A
David Ruebain	0	0
Fiona Waye	0	0
Jo Wiggans	500	0
<b>Total</b>	<b>2750</b>	<b>1250</b>

<sup>[1]</sup> The Chair has formally waived his fee. Other members of the group have made informal decisions not to claim their fee during this financial year. <sup>[2]</sup> Alison Levey claimed £500 in Advisory Group members' fees and claimed £250 as a Special Advisors' honorarium. Carol Prokopyszyn did not claim a Special Advisors' honorarium

## Changes to the Advisory Group

Jude Heaton, Debbie Mc Vitty and Aaron Porter resigned from the group (September 2015), and Steve McArdle (September), Alison Levey, Carol Prokopyszyn, David Malcolm (November) and Nick Hillman (March) joined the group during 2015-16.

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

### 3 Other expenditure

	Year ended 31 March 2016 £	Year ended 31 March 2015 £
External audit fee	20,000	12,000
Internal Audit fees†	5,200	0
Research Consultancy and legal fees	63,813	193,354
General administrative payments	15,193	15,969
Publications, printing, publicity	6,735	6,589
Recruitment and training	30,923	39,818
<b>Service Level Agreement with HEFCE:</b>		
- Accommodation and housing services	114,402	115,712
- IT, Finance, Governance and HR services	208,198	188,070
- Other general expenses	15,000	42,534
- Annual redevelopment charge <sup>††</sup>	33,600	0
Travel and subsistence for staff and advisory committee	48,281	35,788
	<b>561,345</b>	<b>649,834</b>

HEFCE provided internal audit services to OFFA as part of the Service Level Agreement until July 31st 2016. The cost of the HEFCE audit service, which is delivered through the Service Level Agreement, is classified as other administration as in previous years. The charge for facilities and services is agreed annually by OFFA and HEFCE. Minor adjustments to annual charges are agreed based on actual expenditure after the year end and adjustments are taken into account in the charge made for the subsequent year. In 2015-16 a prior year adjustment (termed a reconciliation payment) of £15,000 was made and the charge is included under 'other general expenses'. OFFA engaged an independent provider, Sockmonkey Consulting, for its audit service from August 31st to March 31st †. From 2015-16 HEFCE recharges to OFFA its share of the refurbishment of the new Line 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

<b>All amounts falling due within one year:</b>	<b>As at 31 March 2016 £</b>	<b>As at 31 March 2015 £</b>
<b>(a) analysis by type</b>		
Trade receivables and other current assets	0	0
Prepayments	3977	316
	<u>3977</u>	<u>316</u>
<b>(b) analysis by source</b>		
Other central Government bodies	0	0
Bodies external to Government	3977	316
	<u>3977</u>	<u>316</u>

## 6 Cash and cash equivalents

	As at 31 March 2016 £	As at 31 March 2015 £
Balance at 1 April	31,435	8,025
Net change in cash and cash equivalent balances	<u>89,249</u>	<u>23,410</u>
Balance at 31 March	<u><u>120,684</u></u>	<u><u>31,435</u></u>

The following balances at 31 March were held at:		
<b>Government Banking Service</b>	<b>120,684</b>	<b>31,435</b>
Balance at 31 March	<u><u>120,684</u></u>	<u><u>31,435</u></u>

## 7 Trade payables and other current liabilities

All amounts falling due within one year

	As at 31 March 2016	As at 31 March 2015
	£	£
<b>(a) analysis by type</b>		
Trade Payables	45,920	1,412
Accruals	89,495	67,926
Other payables	<u>(275)</u>	<u>4,353</u>
	<u><b>135,140</b></u>	<u><b>73,691</b></u>
<b>(b) analysis by source</b>		
Other central Government bodies	0	4,351
Bodies external to Government	<u>135,140</u>	<u>69,340</u>
	<u><b>135,140</b></u>	<u><b>73,691</b></u>

## 8 Related party transactions

OFFA is a non-departmental public body sponsored by its parent department BIS, and therefore BIS 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 £371,200 (2014-15: £381,940) for the services provided through the SLA, including directly seconded staff. Of this amount £0 (2014-15: £5,937) is the VAT-inclusive recharge of staff costs.

## 9 Events after the reporting period date

On 23 June, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit 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 negotiate, implement and apply EU legislation. It will be for the Government, under the new Prime Minister to begin negotiations to exit the EU. The outcome of these 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. On 14 July 2016, following a machinery of Government change it was announced that OFFA's sponsoring department, the Department for Business, Innovation and Skills, is having its responsibilities changed. The sponsor department for OFFA is now the Department for Education.









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