

Annual Report and Accounts

2005-06



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office for fair access

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OFFA Annual Report and Accounts 2005-06

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Higher Education Act 2004.

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Director's foreword



Over the past year the fair access agenda has continued to be at the very heart of both government policy and institutional practice. There has also been a strong drive for consistency and collaboration between universities and colleges, Government and higher education (HE) sector bodies alike, to ensure that student financial arrangements for 2006 are widely publicised to prospective students.

In light of this, my task as Director of Fair Access (OFFA) has been twofold. Firstly, it has been to support and represent institutions as they face this agenda, including the practical issues of administering bursaries. Secondly, it has been to work alongside the Government and institutions to ensure that prospective students – in particular those from low income backgrounds – have all the information they need to make informed decisions about where to study.

In recent months we have continued to monitor closely the HE landscape for changes which might impact on access agreements, and to influence and give our full support to any changes which benefit students. In particular I was delighted to learn that our representations, alongside those of others, led to the decision that institutional bursaries can now be disregarded in Department for Work and Pensions (DWP) calculations for income-related benefits.

We have worked with institutions to ensure that adjustments to access agreements, following such changes, have at least maintained, or in many cases enhanced, the overall level of support available to students.

So far it is reassuring that the underlying trend in total applications to HE remains upward, but it is also important that we play an active role in working with institutions to evaluate what actually happens as the new fee regime takes effect later this year. Of particular significance will be the number of applications from mature and part time students – many of whom don't apply through UCAS.

I remain most concerned about the possible consequences if institutions decide to offer enhanced bursaries or discounted fees to help fill course vacancies during Clearing. OFFA does not have any powers to prevent this happening, but if

institutions do decide to act in this way, there is a risk that the carefully crafted access agreements put together by each institution would be undermined. This would not be in the longer-term interests of either students or their institutions.

I have always been confident that institutions' generous bursary and scholarship schemes, on top of greatly enhanced government student support, represent a much improved financial package for students from low income and other under-represented groups. Great efforts have been made by the sector to disseminate financial information to prospective students. However, recent evidence suggests that these students are less clear about institutional support than they are about the level of fees and the nature of government loans and grants.

Therefore, the challenge for the sector and the Government remains to get positive messages across to prospective students and their parents, carers and advisers, in ways which are clear, consistent, and easily understood.

We will continue to support the sector in this challenge by developing good practice around the provision of financial information and by continuing to monitor and influence the HE landscape to ensure the best outcome for prospective students and institutions.



Sir Martin Harris

Director, Office for Fair Access
May 2006



OFFA's role and responsibilities

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

OFFA is a small non departmental public body consisting of a Director, Sir Martin Harris, and three full time members of staff. It was established in October 2004 under Part 3 of the Higher Education Act 2004 and is sponsored by the Department for Education and Skills (DfES). It reports to the Secretary of State for Education and Skills.

OFFA is supported with resources provided through a Service Level Agreement with the Higher Education Funding Council for England (HEFCE). OFFA also has a small Advisory Group of recently retired heads of institutions available to offer impartial advice on access matters and if necessary on individual decisions relating to access agreements. An independent review panel has been established by the DfES should institutions wish to challenge a decision made by OFFA.

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

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

Mission

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

Strategic aims

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

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



Performance and achievements

In our first year of operation (2004-05) we approved the majority of access agreements in order that institutions were able to confirm their fees and support arrangements in time for the start of the 2006 application cycle. This was important so that applicants could make informed choices about where to apply.

Our main focus for the second year of operation (2005-06) has been to support institutions in the practical and operational considerations deriving from the detail of their access agreements, and to prepare for the start of 2006-07 academic year when the new fee and student financial support arrangements begin.

We have liaised closely with the Department for Education and Skills (DfES) and other colleagues in the sector to ensure a full appraisal of the issues and changes in the HE landscape that impact on fees and bursaries. This work enabled us to issue advice and, where appropriate, guidance notes to ensure that institutions were able to adapt their access agreements in response to external changes such as the upward changes to the student support thresholds, the clarification of the status of PGCE courses, and the developing arrangements for the Higher Education Bursary and Scholarship Scheme. We have been careful to ensure that any changes to access agreements do not impact adversely on access for students from low income or other under-represented groups.

We have also given our firm support to colleagues within the HE sector on issues of fair access. For example, we, along with others in the sector, were very pleased to support the DfES in its successful negotiations with the Department for Work and Pensions (DWP) in achieving the disregard of both the Special Support Grant and institutional bursaries when calculating benefit. We also supported the increase in student support for part-time students.

We have actively supported the communications campaigns led by the DfES and institutions to promote messages about the new student finance arrangements, in particular the generous student support packages.

These messages have been promoted through the media, and through our sponsorship of the 'Outstanding student financial support package' category in the 2006 Times Higher Awards.

Through regular communication with the DfES, UCAS and the sector we have continued to monitor the possible impact of the new fee and support regime on applications to higher education over the 2006 application cycle.

Although OFFA's role has broadened, our core operational role has remained steady and significant. The majority of access agreements were approved in 2004-05, but access agreements continue to be submitted and revised on a rolling basis (within certain time constraints around provision of information to potential applicants). Working collaboratively and transparently with the sector, we have continued to process and issue decisions, within published deadlines, on a significant number of new and revised access agreements.

Achievements in 2005-06

- Provided a general enquiry service regarding access agreements and related issues for institutions and the public.
- Published a five year strategic plan in December 2005 setting out our medium to long term aims and objectives.
- Kept institutions updated on external issues which might impact on the content of existing access agreements, and provided guidance on any necessary revisions to agreements.
- Worked closely with the Student Loans Company to share information on the fee limits set in access agreements, and to discuss and advise on access agreements in relation to operational practicalities regarding fees and bursaries.
- Supported the communications campaigns led by the DfES and institutions to promote messages about the new student finance arrangements, in particular the generous student support packages.

Access Agreements

- Processed and approved 79 new access agreements (10 Higher Education Institutions (HEIs), 35 Further Education Colleges (FECs),

32 School Centred Initial Teacher Training providers and 2 others).

- Processed and approved 79 revised access agreements (74 HEIs and 5 FECs) from a total of 68 institutions.

School Centred Initial Teacher Training (SCITT) providers

- Worked in partnership with the National Association of Schools Based Teacher Trainers (NASBTT) to engage with SCITTs to establish their issues and needs in relation to fees and bursaries and producing access agreements.
- Published bespoke guidance for SCITTs on producing access agreements.
- Processed and approved 32 SCITT agreements (included in the figures above).

Northern Ireland

- Completed the assessment process for 6 Northern Ireland agreements.
- Agreed a Service Level Agreement with Department of Education and Learning Northern Ireland (DELNI) for the next four years (subject to annual review) to provide an assessment and ongoing maintenance and monitoring service for their access agreements.
- Provided advice and guidance to DELNI on access agreements and related issues.





Analysis: facts and figures

Existing access agreements

As at 31 March 2006 there were 197 live access agreements comprising:

- 122 Higher Education Institutions (HEIs)
- 41 Further Education Colleges (FECs)
- 32 School Centred Initial Teacher Training (SCITT) providers and
- 2 other institutions.

All HEIs with full-time undergraduate students have submitted access agreements. 105 directly funded FECs and 35 SCITTs have not submitted agreements. These institutions decided not to charge above the basic amount of £1,200 for any of their courses from 2006-07 and therefore did not require an agreement with OFFA at that time. However, institutions may subsequently submit agreements to OFFA if they decide to charge higher fees from 2007-08 onwards.

Fee levels

- 93 per cent of HEIs have agreed a maximum fee limit (the maximum fee limit for full-time undergraduate courses for 2006-07 is £3,000).
- 61 per cent of FECs that have submitted an agreement have agreed a maximum fee limit.
- 86 per cent of HEI and FEC agreements have opted for a maximum fee limit.
- 40 per cent of SCITTs that have submitted an agreement have agreed a maximum fee limit.
- 78 per cent of all agreements submitted have agreed the maximum fee limit.

Expenditure on access measures

Around £350 million per year (in steady state once all cohorts are under the new fee regime) will be spent on bursaries and scholarships that will benefit low income or other under-represented groups.

Around £120 million per year will be spent on institutional bursaries and scholarships for the first cohort from 2006-07. These figures have exceeded our initial expectations and represent around a quarter of institutions' additional fee income.

Many institutions are also investing in bursaries and scholarships that will benefit a broader range of students and are not means tested (for example scholarships based on merit). Our figures only represent the extent that the support packages expect to benefit low income or other represented groups. An estimated £37 million (per year in steady state) will be spent by institutions on additional outreach.*

* All figures are based on institutions' estimated income and expenditure submitted to OFFA alongside their original access agreements. We are aware that some institutions anticipate additional spend will be necessary to cover subsequent external changes around student support thresholds and the status of PGCE students who are now covered under the new regime, although we do not have estimates for this.

Revisions

Where access agreements have been revised this has been for a variety of reasons. Most commonly, adjustments have been made to comply with external changes (for example around PGCE, or student support thresholds), or changes to the detail of bursary schemes as they are further developed to maintain accuracy. Revisions to access agreements for 2006 have at least maintained, and in many cases enhanced, the overall level of support committed to students.

Bursaries

- A typical bursary for a student on full state support at an HEI is around £1,000. The range is from £300 to £3000.
- 86 per cent of HEIs charging the full fee are offering bursaries to students above the level of full state support (64 per cent have set their bursaries around partial state support thresholds, 22 per cent have defined their own threshold levels).
- 9 per cent of HEIs are providing a non-means tested bursary to all of their students. These bursaries range from £200 to £1000. A further 3 per cent are providing support above the state support thresholds but with a defined limit.
- 57 per cent of HEIs have established some form of scholarship scheme. 23 per cent have scholarships based solely on merit. 14 per cent have scholarships with means-testing or other widening participation related criteria. 10 per cent have awards based on subject.
- 20 per cent of HEIs are creating or contributing additional funds to discretionary funds or awards.



Key performance indicators

It is too early to report on many of the key performance indicators in the 'OFFA Strategic Plan 2005-10' (OFFA 2005/03), as these are linked to the numbers and patterns of student participation rates. However, we are able to report on the following:

Applications

We were pleased that the UCAS statistics up to 15 January 2006 showed that the overall numbers of applications and the proportion of applications from lower socio economic groups have remained steady, once allowance is made for the surge in applications for 2005. However, there is still some way to go in the applications cycle and there will be some key work to do in analysing the actual intake patterns





for 2006, in particular whether there has been an effect on applications from students from low income households or lower socio economic groups. Where appropriate, we have provided comment and analysis to contribute to the debate on the pattern of applications and admissions for 2006.

Processing agreements

Revised agreements were processed and communicated to institutions within the three week timetable and where this was not the case this was normally due to the need for feedback or clarification. No complaints were received from institutions regarding process or service.

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

Clarity of information

We have received no complaints from applicants or students regarding the clarity or accessibility of information provided by institutions on the bursaries available or fees to be charged.

Management commentary



OFFA's future role

The achievement of our strategic aims is largely determined by the successful implementation of individual access agreements. We therefore aim to combine our core role – of approving, maintaining and monitoring existing access agreements – with one of facilitating and providing advice and guidance to the sector on matters relating to access agreements and fair access more generally.

We intend to focus our good practice work on two key areas. Firstly, on financial information for students, and secondly, on bursaries and scholarships. We will address the area of financial information for students first, as we believe there is a more immediate need for work in this area which could quickly benefit prospective students, and institutions.





Over the coming year we will see the first cohort enter higher education under the new fees and support regime. During this time we will want to analyse carefully the overall numbers participating as well as the patterns of participation for under-represented groups. It will of course not be possible to come to any hard conclusions based on one year's data. However, where possible, we will look to learn lessons and to assist the sector in forming an overview of applicant behaviour.

We will continue to process new access agreements for institutions who wish to charge higher fees. The majority of FECs have decided to charge the standard fee for 2006 but we expect that there will be further submissions once the first cohort is enrolled under the new regime. We also anticipate that we will continue to receive submissions from institutions to revise their agreements in order to maintain accuracy in a changing environment, or to fine tune their bursary or scholarship schemes in line with perceived student needs.

We will also work with the sector to develop a monitoring system that provides us with sufficient management information to adequately monitor the progress of access agreements at an institutional and sector level, while causing minimum additional bureaucratic burden to institutions. Monitoring arrangements will be in place for institutions to report to OFFA in the 2006-07 academic year.

Our key strategic risks for the coming year follow our strategic aims and focus on successfully supporting the sector in maintaining and delivering their access agreements, and in particular supporting the provision of clear and accessible financial information to students.

We are also concerned about the possible consequences if institutions decide to offer enhanced bursaries or discounted fees to help fill course vacancies during Clearing. We are communicating with the sector to help mitigate this risk.



Financial results for 2005–06

The accounts cover the year 1 April 2005 to 31 March 2006. The accounts have been prepared in accordance with the direction given by the Secretary of State for Education and Skills, with the approval of the Treasury, in accordance with Schedule 5 (section 8) of the Higher Education Act 2004. The accounts are also produced in accordance with the Financial Memorandum with the Department for Education and Skills (DfES).

The vast majority of OFFA's total income of £400,150 was from Grant-in-Aid, and this totalled £385,000. All of this funding was provided for the administrative running costs of the organisation by the DfES. The results for 2005-06 show a deficit of £50,309 (2004-05: £89,162 surplus) which was funded by the surplus brought forward from the prior year. Future years are likely to show close to breakeven results.

At the end of the year OFFA had a cash balance of £31,844 which was within the £40,000 guideline set by the DfES. It is expected that some of this money will be used to finance activities within 2006-07.

In accordance with the Treasury guidance on non-departmental public bodies' reports and accounts, the accounts include the notional cost of capital, which amounts to £193 in 2005-06. Notes 1 and 6 to the accounts explain the basis for calculating these charges.

The accounts are audited by the Comptroller and Auditor General, who is appointed by Statute. The audit fee is £6,000 and he did not provide any non-audit services during 2005-06.

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

Higher Education Funding Council for England (HEFCE)

OFFA has a Service Level Agreement with HEFCE for the provision of various services including accommodation, finance, IT and Human Resource support, internal audit and general administrative activities. HEFCE implemented a new management information system during the year and operates a finance system on behalf of OFFA. OFFA takes reliance on HEFCE's internal control procedures to ensure that a satisfactory service is provided. During the year ending 31 March 2006 OFFA paid HEFCE £322,825.54 for the services provided through the Service Level Agreement including the costs of directly seconded staff.

Payment of creditors

OFFA is fully committed to the prompt payment of its suppliers' invoices and supports HM Treasury's Better Payment Practice Code. OFFA aims to pay invoices in accordance with agreed contractual conditions or, where no such conditions exist, within 30 days of receipt of satisfactory goods or services or the presentation of a valid invoice, whichever is the later. All suppliers have been notified of this commitment, through HEFCE, and have been given clear guidelines to help OFFA achieve this aim. Throughout the year HEFCE monitors actual performance against the 30 day target. During the year ending 31 March 2006 the target was met for over 93 per cent of invoices (2004-05: 98 per cent).

Equal opportunities

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

In response to the two latest pieces of legislation in this area (i.e. the Disability Discrimination Act 2005 and the Equality Act 2006), HEFCE has decided to

adopt a single approach to equality and diversity work through a Single Equality Scheme. This will set out the general approach to equality and diversity and include HEFCE's statutory equality schemes. This is due to be published as a single scheme by December 2006, and OFFA will sign up to follow this.

Health, safety and welfare at work

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

Consultation with employees

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

Environmental indicators

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



Sir Martin Harris

Director and Accounting Officer
Office for Fair Access

25 May 2006

Remuneration report



Part 1: Audited information

Salary and pension entitlements for senior employees

Salary details are given for the senior employees within OFFA during 2005-06. Figures shown are full year values unless otherwise stated.

	Year ended 31 March 2006 £000	Year ended 31 March 2005 £000
Sir Martin Harris, Director (from 15 October 2004)	50-55	20-25*
John Rushforth, Deputy Director (to 5 February 2006)	35-40**	30-35

*For the period 15 October 2004 to 31 March 2005, full year equivalent £50-£55k.

**For the period to 5 February 2006, full year equivalent £45-£50k (including VAT).

As of 1 July 2004 John Rushforth became Deputy Director of OFFA. Under the Service Level Agreement between OFFA and HEFCE 40 per cent of his total remuneration costs were paid by OFFA. During the year ending 31 March 2006 OFFA paid HEFCE £51,099 (including VAT) for this role (2005: £41,011).

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

Advisory group

	Year ended 31 March 2006 £000	Period ending 31 March 2005 £000
Dr Michael Goldstein	425	1,700
Professor Norman Gower	425	2,550
Dr John Rea	425	2,550
	1,275	6,800

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

Members of the group are paid a fee for the work completed, and during the year ending 31 March 2006 the above amounts were paid.

Part 2: Unaudited information

Pension benefits

OFFA does not directly contribute to any pension scheme, however during the year it paid HEFCE £31,228 (including VAT) towards the cost of contributions to the Principal Civil Service Pension Scheme (2005: £16,977). This payment related to the employer contributions of directly seconded staff to OFFA including the Deputy Director and Assistant Director.

Civil Service pensions

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

Director of Fair Access

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

Sir Martin Harris was appointed as the first Director of Fair Access on 15th October 2004. The Director's role is a part-time position, and is equivalent to a 0.5 full time equivalent post. The post does not offer any pension entitlements. The appointment is for a fixed term of three years. The appointment may be renewed at the end of the three years subject to review. A notice period of six months is normally required. Other than the possibility of payment in lieu of notice, there are no explicit contractual provisions for compensation for early termination

Management structure

John Rushforth, Deputy Director, left OFFA in February 2006 to take up a post elsewhere. The Director has subsequently reviewed OFFA's management structure and has concluded that, now OFFA is established and the first round of access agreements have been approved, a Deputy of John's seniority is no longer needed. The post has therefore been abolished. The role of Deputy Director has now been reallocated between the Director and the Assistant Director, David Barrett (formerly the Programme Manager).

Sir Martin Harris

Director and Accounting Officer
Office for Fair Access

25 May 2006

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

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

In preparing the accounts OFFA is required to:

- Observe the accounts direction issued by the Secretary of State for Education and Skills, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.
- Make judgements and estimates on a reasonable basis.
- State whether applicable accounting standards have been followed and disclose and explain material departures in the financial statements.
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the body will continue in operation.

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

Statement by the Director on internal control

Scope of responsibility

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. During the year the system of internal control has continued to develop in accordance with Treasury Guidance and this has included a risk management process. The system of internal control relies partly on my monitoring of the effectiveness of the Service Level Agreement with the Higher Education Funding Council for England for the provision of administrative services and staff.

Risk management and capacity to deal with risk

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

- Access agreements – provision of data, processing and monitoring

- Communications – timeliness and credibility
- Financial and Operational – operational management
- Policy related – achievements regarding sustaining widening participation.

Following agreement with DfES, and due to its small size, OFFA is not required to have an audit committee. External auditors are able to raise issues with the sponsoring team in the DfES and subsequently the DfES audit committee. No such matters were raised in 2005-06. I have approved the internal auditors' terms of reference which include a clear reporting line for the Head of Internal Audit to the DfES Accounting Officer and Head of Internal Audit.

The Assurance Framework is appropriate for the level of risks faced by the organisation. The risk management process has been in place for the year ending 31 March 2006. OFFA's risks are clearly set out and defined and their management is assigned to the relevant people within the organisation.

Following staffing changes during the year, we have revised and developed the management structure within OFFA. This change will have an impact on the allocations of roles and responsibilities within OFFA in respect of risk management. We are currently taking actions to address this impact and to revise our risk management arrangements accordingly.

OFFA has recognised the impact that recent changes to its management structure have had on its risk management arrangements, and has taken appropriate action to ensure that its risk management activities remain effective.

Review of effectiveness

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

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

- Regular meetings with managers within OFFA to discuss the plans and strategic direction of the OFFA.
- Reports from managers within OFFA who have responsibility for the development and maintenance of the internal control framework including risk management.
- Regular meetings with managers within OFFA to consider the risk register and ensure that responsibility for the management of identified risks has been allocated and appropriate control measures are being taken.
- Reports from the internal audit service provided by HEFCE under the Service Level Agreement.
- An annual report from the Head of Internal Audit, provided under the Service Level Agreement, which includes an opinion on the effectiveness of the risk management process and adequacy of internal controls.
- Comments made by the external auditors in their management letter and other reports.

Conclusion

As a result of my review for 2005-2006 I am able to report that the system of internal control has generally operated satisfactorily and that I have not identified any material weaknesses which would have affected the achievement of OFFA's objectives or goals. During 2006-07 OFFA will continue to review its corporate governance and risk management arrangements to further enhance the system of internal control, to ensure continuous improvement, to respond to evolving best practice and to respond to external developments.

Sir Martin Harris

Director and Accounting Officer
Office for Fair Access

25 May 2006

The certificate and report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Office for Fair Access for the year ended 31 March 2006 under the Higher Education Act 2004. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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

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

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

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

require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 16 and 17 reflects the Office for Fair Access's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statement on internal control covers all risks and controls, or form an opinion on the effectiveness of the Office for Fair Access's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Director's Foreword, the Management Commentary and the unaudited parts of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

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

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the

financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Higher Education Act 2004 and directions made thereunder by the Secretary of State for Education and Skills, of the state of the Office for Fair Access' affairs as at 31 March 2006 and of its deficit for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Higher Education Act 2004 and directions made thereunder by the Secretary of State for Education and Skills; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

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

1 June 2006

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

Income and Expenditure account for the year ending 31 March 2006

	Note	Year Ending 31 March 2006 £	Period Ending 31 March 2005 * £
Income			
Grant-in-Aid	2	385,000	500,000
Other income	3	15,150	0
		400,150	500,000
Expenditure			
Running costs			
Staff costs	4	291,835	202,176
Other administration	5	158,624	208,662
		450,459	410,838
Operating surplus / (deficit) before interest		(50,309)	89,162
Notional interest on capital	6	193	316
Operating surplus / (deficit) after interest		(50,116)	89,478
Reversal of notional interest on capital		(193)	(316)
Surplus / (deficit) for the period		(50,309)	89,162

All OFFA operations are continuing.

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

* For the period ending 31 March 2005, expenditure was incurred from 1 July 2004.

The notes on pages 23 to 28 form part of these accounts.

Balance Sheet as at 31 March 2006

	Note	As at 31 March 2006 £	As at 31 March 2005 £
Current assets			
Debtors	7	15,449	4,709
Cash at bank and in hand	8	31,844	107,213
		47,293	111,922
Creditors			
Amounts falling due within one year	9	(8,440)	(22,760)
Net current assets	3	8,853	89,162
Total net assets / (liabilities)		38,853	89,162
Represented by			
Reserves			
General reserve	10	38,853	89,162
		38,853	89,162

Sir Martin Harris
Director
Office for Fair Access

25 May 2006

The notes on pages 23 to 28 form part of these accounts.

Cash Flow Statement for the year to 31 March 2006

	<i>Note</i>	Year Ending 31 March 2006 £	Period Ending 31 March 2005 £
Operating activities			
Receipts			
HM Government grant funds received through the Department for Education and Skills:			
Running costs		385,000	500,000
Other receipts		4,859	0
		389,859	500,000
Payments			
Administration costs		465,228	392,787
		465,228	392,787
Net cash inflow / (outflow) from operating activities	11	(75,369)	107,213
Net cash outflow from capital expenditure		0	0
Financing		0	0
Net cash inflow / (outflow)		(75,369)	107,213

The notes on pages 23 to 28 form part of these accounts.

Notes to the Accounts for the year to 31 March 2006

1 Accounting policies

Basis of accounting

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

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

Grants from the Department for Education and Skills

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

Notional costs

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

Provisions for liabilities and charges

Provisions are recognised when OFFA has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. OFFA has no provisions for the year ending 31 March 2006.

Pension costs

Employees seconded from the Higher Education Funding Council for England (HEFCE) are members of the Principal Civil Service Pension Scheme (PCSPS), and the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply to the employees of HEFCE. HEFCE charges OFFA for the services of the seconded staff, including pension costs, and during the year ending 31 March 2006 OFFA made payments of £31,228 (including VAT) for pension contributions. The PCSPS, is a multi employer defined benefit scheme (treated for accounting purposes as a defined contribution scheme). Contribution rates are determined from time to time by the Government Actuary and advised by the Treasury.

Taxation

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

2 HM Government Grants Received

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

	Year Ending 31 March 2006 £	Period Ending 31 March 2005 £
Running costs		
Administration costs	385,000	500,000
Total Grant in Aid	385,000	500,000

3 Other income

	Year Ending 31 March 2006 £	Period Ending 31 March 2005 £
Running costs		
Miscellaneous income	15,150	0
Total other income	15,150	0

Of this amount £15,000 is in relation to income from the Department of Education and Learning Northern Ireland in respect of services provided under a Service Level Agreement. As with the other activities detailed above, this is a non profit making exercise, and the objective of such an arrangement is to recover contributions against costs, rather than to generate additional income.

4 Salaries and Wages

Staff Costs

	Year Ending 31 March 2006 £	Period Ending 31 March 2005 £
Staff employed by OFFA (including directly seconded staff)		
Salaries	204,002	143,312
National Insurance contributions	19,454	13,538
Pension costs	31,228	16,977
	254,684	173,827
Costs of employing contract, agency and temporary staff*	37,151	28,349
	291,835	202,176

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

Staff Numbers

	Year Ending 31 March 2006 Number	Period Ending 31 March 2005 Number
The average actual number of staff employed, excluding the Director, expressed as full time equivalents was:	3	3
Average number of contract, agency and temporary staff	1	1
	4	4

Salaries

Salary includes gross salary, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowance to the extent that it is subject to UK taxation. The full time equivalents for the prior year relate only to the period 1 July 2004 to 31 March 2005.

Pay settlements (for HEFCE seconded staff) consist of an element of revaluation to take account of the effects of inflation, and an element of progression

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

5 Other Administration

	Year Ending 31 March 2006 £	Period Ending 31 March 2005 £
Advisory group: travel and subsistence costs	0	347
External audit fee	6,000	8,500
Consultancy and legal fees	0	3,120
General administrative payments	2,085	19,649
Publications, printing, publicity	4,403	40,523
Recruitment and training	7,296	2,715
Service Level Agreement with HEFCE:		
Accommodation and housing services	35,970	29,665
IT, Finance and HR services	45,896	52,861
Internal Audit and Assurance services	20,918	18,829
Other general expenses	22,044	19,963
Telephone and postage	838	489
Travel and subsistence for staff	13,174	12,001
	158,624	208,662

The external auditors received no remuneration for non audit services.

6 Notional Costs

	Year Ending 31 March 2006 £	Period Ending 31 March 2005 £
Capital employed as at 1 April 2005	(18,051)	0
Capital employed as at 31 March 2006	7,009	(18,051)
Average capital employed	(5,521)	(9,026)
Notional interest on capital	193	316

7 Debtors

	Note	Year Ending 31 March 2006 £	Period Ending 31 March 2005 * £
Debtors	13	15,262	4,709
Prepayments		187	0
		15,449	4,709

8 Details of Balances at year end

	Year Ending 31 March 2006 £	Period Ending 31 March 2005 £
Cash held at the Bank of England: in respect of running costs	31,844	107,213
	31,844	107,213

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

9 Creditors: Amounts falling due within one year

	Note	Year Ending 31 March 2006 £	Period Ending 31 March 2005 £
Running costs accruals	13	(8,440)	(22,760)
		(8,440)	(22,760)

10 Reserves: Reconciliation of movement in funds

	As at 31 March 2006 £	As at 31 March 2005 £
Opening balance	89,162	0
Surplus / (deficit) per Income and Expenditure account	(50,309)	89,162
Net increase / (decrease) in funds	(50,309)	89,162
Closing balance: General reserve	38,853	89,162

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

	Year Ending 31 March 2006 £	Period Ending 31 March 2005 £
Operating surplus / (deficit)	(50,309)	89,162
Decrease / (increase) in debtors	(10,740)	4,709
Increase / (decrease) in creditors	(14,320)	22,760
Net cash inflow / (outflow) from operating activities	(75,369)	107,213

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

	Year Ending 31 March 2006 £	Period Ending 31 March 2005 £
Net funds at 1 April 2005	107,213	0
Increase / (decrease) in cash for the year	(75,369)	107,213
Net funds at 31 March 2006	31,844	107,213

12 Contingent Liabilities

OFFA had no contingent liabilities at 31 March 2006.

13 Debtors and Creditors balances with other government bodies

	Debtors balance As at 31 March 2006 £	Creditors balance As at 31 March 2005 £
Other central government bodies	15,262	0
Local authorities	0	0
NHS Trusts	0	0
Total Debtors and Creditors with other government bodies	15,262	0
Other Debtors and Creditors	187	8,440
Total as per the Debtor and Creditor Note	15,449	8,440

14 Related Party Transactions

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

OFFA has a Service Level Agreement (SLA) with HEFCE, through which HEFCE provides a number of services to OFFA. During the year OFFA paid HEFCE £323,825.54 for the services provided through the SLA including the costs of directly seconded staff. Of this amount £198,997.14 relates to staff costs.

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

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

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