

Office for  
Students



# Annual report and accounts 2018-19

July 2019

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# Office for Students

## Annual Report and Accounts 2018-2019

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2017

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# Office for Students

## Annual Report and Accounts 2018-2019

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# Performance report

The background of the page is a light teal color. It features several overlapping, semi-transparent geometric shapes in a darker teal shade. These shapes include a large triangle pointing downwards from the top left, a vertical rectangle, and several other polygons of various sizes and orientations, creating a modern, abstract design.

## Chair's foreword



I am delighted to be introducing the first annual report for the Office for Students (OfS).

England has a world-leading higher education sector, admired for its quality in teaching and research and its capacity to innovate. We also have the best-educated generation in our history pursuing higher education in greater numbers than ever before. This presents an enormous opportunity for students, for our country's economic future and for the richness and diversity of our society. We must seize this opportunity, retaining a sense of optimism in turbulent times.

In February 2018, we published our regulatory framework. It sets out the baseline conditions we expect all registered providers to meet, as well as our approach to sector level regulation. The framework has been complemented by an ambitious strategy that defines our objectives and measures for success. We have established regulatory systems and processes, the core aim of which is to protect the interests of students.

In our first year, we have set a tone and direction reflective of our new role and ambition. As the regulator of higher education in England, we respect the institutional autonomy that is so closely tied to the sector's success. However, this cannot preclude the need to expose shortcomings where we find them, and over the past year we have identified a number of areas where we expect to see significant improvement. On issues such as the inappropriate use of unconditional offers, grade inflation, and unjustifiable senior staff pay, we have been vocal, and we will continue to use our public voice and the power of transparency to stimulate change.

Wherever possible, we want providers themselves to take the initiative to address issues of concern to their students. As we continue to embed our regulatory framework, our aim is to reduce regulatory burden for those providers that comply with our requirements, and we want to be held to account for this. But we will not hesitate to act, using the full range of our powers, where we find that self-regulation is not working.

Our regulatory framework becomes fully operational in August 2019. We look forward to a year during which we will consolidate our approach to ensure that we are demonstrably achieving our primary aim – to ensure that every student, whatever their background, has a fulfilling experience of higher education that enriches their lives and careers.

Finally, I would like to thank the OfS board, committees and panels for their advice, energy and the significant time they invest in their roles. Their contribution is crucial to our success and hugely valued.

A handwritten signature in black ink, which appears to read 'M Barber'.

Sir Michael Barber

# Overview

The OfS is the independent regulator of higher education in England. We regulate providers in the interests of students. Our aim is to ensure that every student, whatever their background, has a fulfilling experience of higher education that enriches their lives and careers.

We do this by regulating the higher education providers on our register to make sure they are delivering positive outcomes for their students. Where they are not, we take action.

At sector level, we regulate to create the conditions for informed choice, competition and continuous improvement in the interests of students. We ensure value for money in higher education for students and taxpayers.

The overview provides a summary of the work of the OfS, our purpose, the key risks to the achievement of our objectives, and how we have performed during the year.

## Introduction from the OfS's chief executive



The OfS regulates higher education in England in the interests of past, prospective and current students. The primary focus for our first year of operation has been the assessment and registration of higher education providers to protect those interests. Our focus next year will be on establishing and implementing our processes for monitoring registered providers, and intervening when necessary.

Equality of opportunity is fundamental to our regulatory approach. Chris Millward, Director for Fair Access and Participation (DFAP), has led our radical reforms to the regulation of access and participation, underpinned by ambitious and long-term goals. We want to see bold, transformational change in the access, success and progression of students from underrepresented groups, and we will hold ourselves and every provider of higher education to account in pursuit of this aim.

At sector level, our aim is to create the conditions for informed choice, competition, and continuous improvement. Over the past year we have collaborated with students, providers, and other partners to support work on improving student mental health. Our funding has supported the delivery of high quality teaching and learning, and we are developing a new student information website to replace Unistats, based on evidence on how students make decisions and what is important to them.

Our work to enhance graduate outcomes and employability will benefit not only students and graduates, but also local communities and the wider economy. Last year we supported higher education providers to work with employers, professional bodies and others to deliver increased productivity and growth through joint curriculum development, a focus on digital skills and other priority areas identified in the government's industrial strategy, and new kinds of training such as degree apprenticeships.

During the 2018-19 financial year, we allocated £1.4 billion of grant funding to providers for teaching-related activity and we continued to develop the Teaching Excellence and Student Outcomes Framework (TEF). We established a £20 million challenge fund competition to address priority issues affecting students and initiated two competitions: one to incentivise innovative approaches to support student mental health, and the other to support employment outcomes for students and graduates who choose to remain working in their local areas.

We contributed £47 million for the 2018-19 academic year to the Higher Education Innovation Fund, working closely with UK Research and Innovation (UKRI) which distributes this funding for knowledge exchange activities to providers.

We want meaningful engagement with students to inform all of our work. We have a student experience representative on our board, supported by a 14-strong student panel that includes undergraduates and postgraduates, part-time and international students, prospective students and recent graduates. Last year we sought students' views through our consultations, the National Student Survey (NSS) and through our TEF student panellists. We commissioned a large scale student survey on value for money, and undertook polling on students' views of the OfS. We are working on a student engagement strategy that will be published in the coming year.

I am proud of what the OfS has achieved in our first year. We have laid firm foundations through the development of an ambitious strategy and business plan, supported by clear key performance measures. We have put in place efficient, effective structures and systems to reflect our regulatory role. Our data strategy highlights our commitment to an evidence-led approach through rigorous, intelligent use of data and information.

In consultation with staff we have developed a set of organisational values: ambition, openness, learning and diversity. These will guide our day-to-day interactions across the organisation. They will also guide our behaviours as a regulator, shaping the way we work with students and the higher education sector.

I would like to pay tribute to the OfS's staff, who have made this progress possible, and who bring such high levels of professionalism and dedication to their work.



Nicola Dandridge CBE

Chief executive

## About us

Our regulatory objectives, set out below, describe the outcomes we are seeking to achieve for students, past, present and future. They also bring essential benefits to employers, the economy and society.



The OfS was established by the Higher Education and Research Act 2017 (HERA) and began operations in January 2018.<sup>1</sup> We are an independent public body and we report to Parliament through the Department for Education (DfE).

<sup>1</sup> See [www.legislation.gov.uk/ukpga/2017/29/contents/enacted](http://www.legislation.gov.uk/ukpga/2017/29/contents/enacted)

The last 15 months have been a transitional period during which we have put in place systems and processes in line with our duties under HERA. In addition, in 2018-19 we exercised powers under the Further and Higher Education Act 1992 and the Higher Education Act 2004. We will continue to use these powers until 1 August 2019 when our full regulatory powers under HERA come into effect.

Where consistent with our role as an independent regulator, we worked closely with the DfE on areas where they exercise responsibility during the transitional period or on an enduring basis.

Our values guide the way we work with each other, and with our partner organisations and stakeholders.



## Measuring and reporting our progress

We measure progress against our objectives in a number of ways:

- Our strategy for 2018-2021 describes our strategic objectives, and how we will regulate to achieve them.<sup>2</sup>
- Our 2018-19 business plan sets out our activities for the year against our strategic objectives.<sup>3</sup> Our senior team reviews our progress against delivery on a quarterly basis.
- We track our performance against a set of key performance measures.<sup>4</sup>
- The OfS board and Risk and Audit Committee review performance, and the DfE receives regular reports.

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<sup>2</sup> See [www.officeforstudents.org.uk/publications/office-for-students-strategy-2018-to-2021/](http://www.officeforstudents.org.uk/publications/office-for-students-strategy-2018-to-2021/)

<sup>3</sup> See [www.officeforstudents.org.uk/publications/business-plan-2019-20/](http://www.officeforstudents.org.uk/publications/business-plan-2019-20/)

<sup>4</sup> See [www.officeforstudents.org.uk/about/measures-of-our-success/](http://www.officeforstudents.org.uk/about/measures-of-our-success/)

## Our approach to risk management

Our approach to risk management helps to ensure that we meet the high standards of effective corporate governance expected of a regulator and a public sector body. It also helps us in achieving our objectives through risk-based decision making. Our Corporate governance report (see page 32) describes our approach to risk management in more detail and sets out the strategic risks we have identified.

## Going concern

The OfS's accounts for 2018-19 have been prepared on a 'going concern' basis. The statement of financial position at 31 March 2019 shows net assets of £17.9 million. The Departmental Group's estimates and forward plans include provision for the OfS's continuation and it is therefore appropriate to prepare these accounts on a going concern basis.

## Performance summary

Our focus in the OfS's first year of operation has been on establishing systems, processes and policies to underpin the implementation of the new regulatory framework. This performance summary reports on our progress in delivering against our four regulatory objectives, and our commitment to being an efficient and effective regulator.

In 2019-20 we will build on these foundations to deliver positive outcomes for students. We will be stepping up our work on regulatory interventions where the evidence reveals a significant risk of breach of our regulatory conditions. We will improve the information, advice and guidance students and applicants receive by launching a new information resource for students. We will continue to focus on fair access and improved outcomes for students from disadvantaged backgrounds. Our 2019-20 business plan<sup>5</sup> maps out in detail our key work areas for the coming year.

## Participation

**All students, from all backgrounds, with the ability and desire to undertake higher education, are supported to access, succeed in, and progress from higher education.**

## Registration in the student interest

The OfS's regulatory framework is designed to protect the interests of students before, during and after their higher education by requiring providers to demonstrate that they are offering high quality higher education to their students. In order to be registered with the OfS they must meet, and maintain, a common threshold of quality, financial sustainability and transparency. They must also show that they are working to eliminate gaps in access and success between the most and least represented groups of students.

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<sup>5</sup> See [www.officeforstudents.org.uk/publications/business-plan-2019-20/](http://www.officeforstudents.org.uk/publications/business-plan-2019-20/)

## The OfS Register and the regulatory process

The OfS Register comprises a single, authoritative list of all the English higher education providers registered by the OfS.<sup>6</sup> It gives assurance to students and taxpayers that a provider meets baseline requirements across a series of aspects which, taken together, mean that they are providing high quality teaching, learning and support for their students.

Registration brings significant benefits for providers. Their students can apply for government-backed tuition fee and maintenance loans, and they can access public grant funding. They can apply to the Home Office for a licence to recruit international students, and to the OfS for the right to award degrees and call themselves a university.

In order to register with the OfS a higher education provider must meet a set of **initial conditions** relating to access and participation, quality and standards, student protection, financial viability and sustainability, and management and governance. These conditions will vary depending on the registration category for which the provider has applied.<sup>7</sup>

Once registered, a provider must meet a set of **general ongoing conditions**. We assess the likelihood that a provider will breach one or more of these conditions. Where we identify a risk, we may decide to impose **specific ongoing conditions** – particular requirements a provider must meet in order to remain registered with us. We may also decide to monitor a provider more closely.

Where we find a breach of a specific or general ongoing condition we will consider using one or more of a range of sanctions, including, potentially, de-registration.

The initial assessment and registration of providers for academic year 2019-20 was a priority. The assessment process was complex and needed to be carried out with rigour and to a high standard. We frequently needed to seek further information and clarification from providers, particularly when we considered there was increased risk of breach of a condition. Because of the scale and complexity of the task, we made slower progress than we had originally anticipated.

We wish to encourage new, high quality providers, so the registration process will be a continuing one. There are no absolute deadlines for applications from providers so we are receiving new applications all the time. The figures below include those recent applications.

### Registration of higher education providers as of 31 March 2019

Number of providers on Register	335
Assessment closed (due to merger)	4
Process is ongoing	139

<sup>6</sup> See [www.officeforstudents.org.uk/advice-and-guidance/the-register/the-ofs-register/](http://www.officeforstudents.org.uk/advice-and-guidance/the-register/the-ofs-register/)

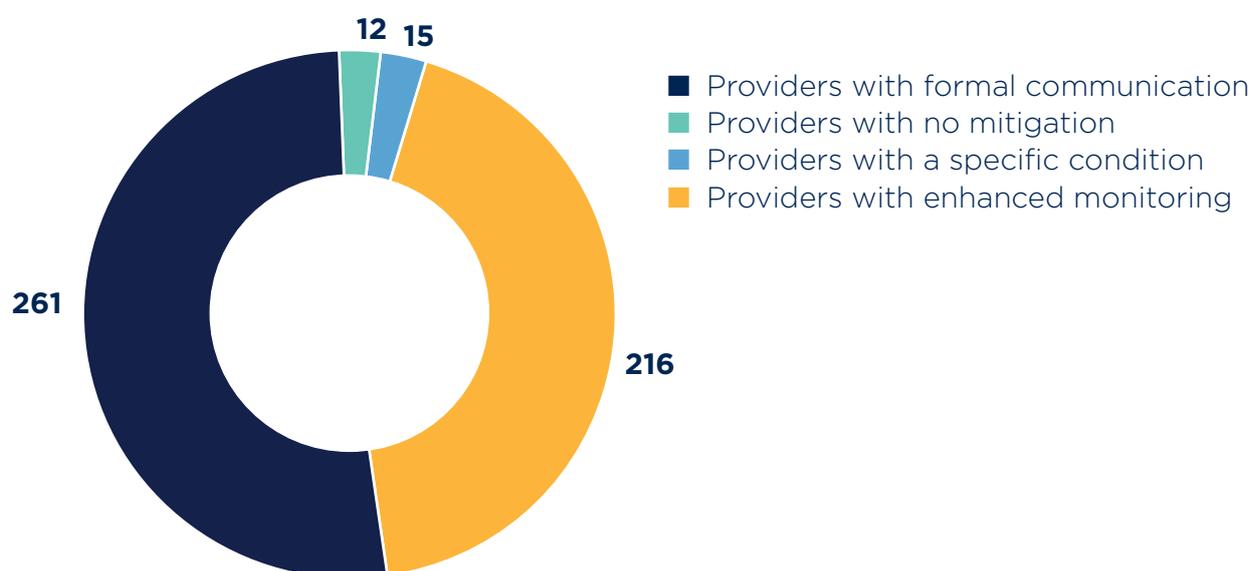
<sup>7</sup> Providers can choose to apply to register in one of two categories: Approved (fee cap) and Approved. See: [www.officeforstudents.org.uk/advice-and-guidance/regulation/what-can-registered-providers-do/](http://www.officeforstudents.org.uk/advice-and-guidance/regulation/what-can-registered-providers-do/)

The majority of registered providers are currently subject to some form of regulatory intervention and are now being monitored. Regulatory interventions (or ‘mitigations’) include:

- **Formal communication** (where we inform providers of issues that might cause us concern if left unchecked)
- **Enhanced monitoring** (where we actively monitor a provider’s progress against action plans or targets, for example financial plans or student recruitment targets)
- The application of **specific conditions of registration**, where we require providers to make improvement in particular areas, for example student outcomes.

Formal communications and enhanced monitoring are not made public, but specific conditions generally are.

### Types of mitigation applied to higher education providers (as of 31 March 2019)



Some providers have had more than one mitigation applied to them. The total number of mitigations applied as of 31 March 2019 is 871.

Our focus in the coming year will be ongoing monitoring and intervention. We will use learning from the registration exercise to refine our systems and processes, and to improve our guidance for providers. As part of this, we will further develop our approach to monitoring and risk assessment, including random sampling. We have designed and tested a provider portal which will allow providers to report regulatory information to us securely from summer 2019.

On 1 April 2018, we took on responsibility for deciding applications for degree awarding powers. To support this, in 2018-19 we worked with the designated quality body (the Quality Assurance Agency for Higher Education) on the design of a new assessment process for degree awarding powers, as well as a new approach to quality and standards reviews used as part of the registration process to assess new entrants to the sector.

On 1 April 2019, we also took on responsibility for deciding applications from providers for university title.

## A new approach to access and participation

Higher education transforms lives. It is also important for a cohesive and just society, and for a productive economy. We are committed to ensuring that all students from all backgrounds have the opportunity to benefit from higher education.

Our ambition is to develop a bold new approach to supporting social mobility, equality and diversity through higher education. Although more students from disadvantaged backgrounds are entering higher education, there are still wide gaps in access and outcomes between the most and least advantaged groups.

We have set ourselves and the sector ambitious goals to eliminate these equality gaps. We want to see a step change, and we want to ensure not only that doors – including those of the most selective providers – are open to students from disadvantaged backgrounds, but also that those students thrive in their studies and are well-prepared for life after graduation.

### Eliminating equality gaps in higher education

We have set ourselves ambitious targets against four of our key performance measures that relate to fair access and participation.<sup>8</sup> The targets aim to achieve equality of opportunity in higher education within 20 years and to eliminate the gaps in:

- Entry rates at the most selective providers between the most and least represented groups
- Drop-out rates between the most and least represented groups
- Degree outcomes between white and black students
- Degree outcomes between disabled and non-disabled students.

In 2018 we consulted extensively with students, the sector and others on our proposals for a radical new approach to access and participation. In February 2019, the DFAP, Chris Millward, published new guidance on the access and participation plans providers are required to produce under the regulatory framework. His guidance challenges providers by focusing on the extent of their ambition, the credibility of their plans, and the outcomes they achieve, rather than their levels of investment and activity, although we will look closely at any provider that wants to spend less to ensure that they deliver on the commitments in their plan.

Our new approach emphasises the importance of evidence and evaluation to improve the impact, effectiveness and value for money of access and participation activity and investment.<sup>9</sup> During the consultation many practitioners told us they would benefit from more systematic gathering and sharing of good practice. We have therefore established a new independent ‘what works’ centre run by a consortium from King’s College London, Nottingham Trent University and the Behavioural Insights Team, to meet this need.

We want to bring more transparency and accountability to this area of work. In March 2019 we published access and participation dashboards for all providers on

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<sup>8</sup> See [www.officeforstudents.org.uk/about/measures-of-our-success/participation-performance-measures/](http://www.officeforstudents.org.uk/about/measures-of-our-success/participation-performance-measures/)

<sup>9</sup> See [www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/evaluation-and-effective-practice/strategy-for-evidence-and-evaluation-in-access-and-participation/](http://www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/evaluation-and-effective-practice/strategy-for-evidence-and-evaluation-in-access-and-participation/)

the OfS Register.<sup>10</sup> The dashboards show where the gaps between the most and least advantaged groups of students lie against a set of access and participation indicators for different groups of students. Some providers are making stronger progress than others, and we will use the data to ensure that all providers are making significant improvements in the coming years.

In 2018-19 we continued to fund the National Collaborative Outreach Programme (NCOP). This programme brings together local partnerships of providers, schools and other organisations to break down barriers to higher education for school pupils in areas where higher education participation is lower than might be expected. In May 2018 we published an evaluation which indicated that, in its first year of operation, NCOP is already contributing to improved information, advice and guidance for young people, and the following month we supported a 'week of action' to highlight outreach activity and practice. In 2019-20 we will continue to focus on targeted outreach work and on the development of 'outreach hubs' with cross-England coverage to encourage wider reach and collaboration.

### **OfS funding to widen access and support successful student outcomes**

Funding is a core part of our work, helping us to meet our regulatory objectives by driving improvements in student access, experience and outcomes. In academic year 2018-19 we provided funding totalling £337 million for access and participation activity in providers across England:

- £60 million for the National Collaborative Outreach Programme
- £40 million for the disabled students' premium
- £72 million for the premium to support successful student outcomes for part-time undergraduates
- £165 million for the premium to support successful student outcomes for full-time undergraduates.

## **Helping students make informed choices about higher education**

We want every student, whatever their background and circumstances, to be supported to make the higher education choice that is right for them. This requires a coherent, responsive approach to information, advice and guidance (IAG) focused on individual needs and preferences. In particular, we need to narrow the 'information gap' experienced by many students, particularly those from disadvantaged backgrounds and mature students. We are committed to providing advice beyond traditional degree programmes including on degree apprenticeships. In March 2019 the OfS board approved the initial phase of an IAG strategy<sup>11</sup> which will begin to be implemented over the next year.

In 2018, we published updated research on student information use and behaviour, and consulted on our IAG strategy. Our consultation received over 160 responses. We also held roundtable discussion with students, the sector, and those working to widening access to higher education for school students. We are working closely with UCAS and other organisations delivering IAG to ensure we are adding value to the resources already available for students and those advising them.

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<sup>10</sup> See [www.officeforstudents.org.uk/data-and-analysis/access-and-participation-data-dashboard/](http://www.officeforstudents.org.uk/data-and-analysis/access-and-participation-data-dashboard/)

<sup>11</sup> See [www.officeforstudents.org.uk/advice-and-guidance/student-information-and-data/providing-information-advice-and-guidance-for-students/student-information-advice-and-guidance-strategy/](http://www.officeforstudents.org.uk/advice-and-guidance/student-information-and-data/providing-information-advice-and-guidance-for-students/student-information-advice-and-guidance-strategy/)

With the other UK higher education funding bodies we are developing an online information resource, to be launched in autumn 2019, to help students navigate and make sense of their decision-making journey. The new resource will replace the Unistats website. We are also considering how we can improve the clarity and accessibility of information on provider websites.



The NSS gathers final year students' opinions on the quality of their higher education courses. The results are used to inform prospective students' choices and help providers to improve their students' experience. We manage the survey on behalf of the four UK nations.

In June 2018 we published the latest set of results, reflecting the views of 320,000 respondents. They showed continuing high levels of student satisfaction, but there is more work still to do.

Last year we began a programme to develop the NSS further, exploring options for expanding it to cover all years of undergraduate study. With the other UK higher education funding and regulatory bodies, we are also considering options for a survey of taught postgraduates. Following research in 2018, we are currently running a sample survey with English postgraduate students from a range of providers. We are also planning to undertake regular student sample surveys to help us better understand the issues currently affecting them.

### Unconditional offers

As a regulator it is our role to investigate and challenge where we see practices that could be detrimental to students.

In 2018 we undertook initial analysis on unconditional offers following growing concerns around their impact on student access and outcomes. In January 2019 we published the first in a new series of OfS 'insight briefings' looking at the impact of unconditional offers on 18-year-old English students.<sup>12</sup> While some providers seek to justify unconditional offers as a tool to support fair access for disadvantaged students, our view is that contextual offer-making is a more effective way of achieving this. We will investigate where 'pressure selling' practices are at risk of breaching consumer protection law and empower students to challenge these practices.



## Experience

**All students, from all backgrounds, receive a high quality academic experience, and their interests are protected while they study or in the event of provider, campus or course closure.**

### Supporting excellence and innovation in teaching

Students invest significant amounts of time and money in higher education and should expect a high quality academic experience which develops their knowledge and skills.

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<sup>12</sup> See [www.officeforstudents.org.uk/publications/unconditional-offers-serving-the-interests-of-students/](http://www.officeforstudents.org.uk/publications/unconditional-offers-serving-the-interests-of-students/)

We recognise that students have diverse needs. Our interventions are intended to support students to:

- make informed decisions about where they study
- incentivise excellence in teaching and learning
- support high cost subject provision
- encourage the availability of meaningful choice in academic pathways and providers.

We also must ensure that students' interests are protected when events have a material negative impact on their ability to continue to study on a course, at a campus, or with a provider.

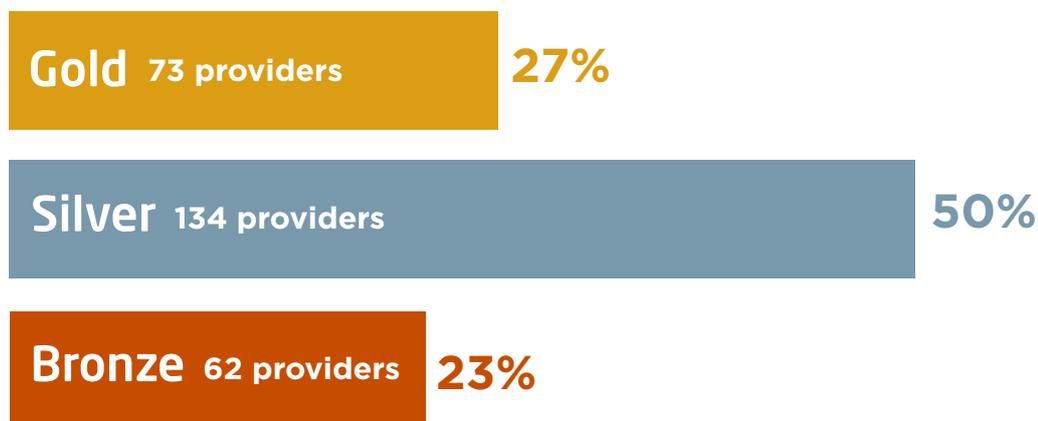
## The Teaching Excellence and Student Outcomes Framework (TEF)

The TEF was introduced by the government in England to assess excellence in teaching and outcomes at providers. It provides information to help prospective students to choose where to study, and encourages providers to work with their students to develop higher quality teaching and learning.

We manage the TEF process; the assessment of submissions and award ratings are decided by an independent panel of students and academics.

The 2018 TEF awards were announced last June. They showed excellence in teaching across a wide range of higher education providers of all types.

### TEF 2018: Award ratings



As of 31 March 2019 a total of 299 UK higher education providers held a TEF award. More detail on the awards, and explanations of the ratings and process, can be found on our website.<sup>13</sup>

TEF ratings are currently given at provider level only. On behalf of the DfE, we are exploring ways of producing ratings at subject level. In 2018 we began a two-year pilot programme. We are now halfway through the second subject-level pilot, working with 48 providers across the UK. In parallel, Dame Shirley Pearce has been appointed to conduct an independent review of the TEF.<sup>14</sup> Her recommendations will be shared with the Secretary of State for Education in summer 2019.

<sup>13</sup> See [www.officeforstudents.org.uk/advice-and-guidance/teaching/tef-outcomes/#/](http://www.officeforstudents.org.uk/advice-and-guidance/teaching/tef-outcomes/#/)

<sup>14</sup> See [www.gov.uk/government/groups/teaching-excellence-framework-independent-review](http://www.gov.uk/government/groups/teaching-excellence-framework-independent-review)

## Degree apprenticeships

Working with the DfE, over the past year we continued to encourage the development of degree apprenticeships as a high quality progression pathway for those completing lower level apprenticeships, those in work who are looking to upskill or retrain into higher skilled occupations, and for young entrants on an academic pathway who are considering their options beyond traditional university entry.

### Degree apprenticeships: positive progress, but more still to do

An OfS insight brief on degree apprenticeships, published in March 2019, found that while degree apprenticeships are growing in number, and bringing universities and employers together to address local and regional skills gaps, there is more to do to ensure that disadvantaged and underrepresented learners are supported to access and succeed in them.<sup>15</sup> The brief also highlighted the need for better IAG on degree apprenticeships – including for employers, parents and teachers – to help students make informed choices about their options.

We want students from all backgrounds to be able to benefit from this route. For the first time we have included degree apprenticeships within the scope for targets, investment and activity in access and participation plans, and we will count degree apprentices when calculating the premiums we give to providers to support disadvantaged learners in their studies.

We are sharing the lessons learned from providers who have embarked on degree apprenticeships. We have published data on the characteristics of students who are choosing to study in these new ways, and will soon be publishing a study on the motivations of degree apprentices.

### Protecting students' interests

All providers who register with us must have a student protection plan in place which sets out what their students can expect should that provider need to close a course, campus or shut down entirely. The purpose of a student protection plan is to ensure that students can continue and complete their studies or can be compensated if this is not possible. We expect providers to involve their students in regularly reviewing and refreshing their plan.

Our assessment of providers' plans as part of the registration process surfaced a number of common themes and concerns, including:

- insufficient focus on students as the primary audience for the plan
- the need to consider and address in more detail the particular circumstances of different groups of students
- lack of clarity concerning arrangements for refunds and compensation in the event that a provider is unable to keep teaching, or to arrange teaching at another provider for its students.

We required approximately a fifth of providers to improve their plans before we registered them. We will publish further guidance on student protection plans later in 2019.

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<sup>15</sup> See [www.officeforstudents.org.uk/publications/degree-apprenticeships-a-viable-alternative/](http://www.officeforstudents.org.uk/publications/degree-apprenticeships-a-viable-alternative/)  
Alongside this we also published an evaluation of HEFCE's Degree Apprenticeship Development Fund: see [www.officeforstudents.org.uk/advice-and-guidance/skills-and-employment/closing-the-skills-gap/the-degree-apprenticeship-development-fund/](http://www.officeforstudents.org.uk/advice-and-guidance/skills-and-employment/closing-the-skills-gap/the-degree-apprenticeship-development-fund/)

## Improving support for student mental health

Over the past three years the proportion of students entering higher education with a declared mental health condition has doubled, and recent polling suggests that many struggle with feelings of anxiety, pressure, and other challenges which affect their wellbeing.<sup>16</sup> Our new access and participation dataset, which makes available for the first time summary data on differences in outcomes for students who declare a mental health condition, indicates that students suffering mental ill-health do less well than other students across a range of outcomes.

Providers are working hard to tackle these issues, but there is much more to do. Our new access and participation guidance sets out our clear expectation that higher providers will develop a detailed understanding of where gaps in outcomes for students with mental health conditions exist and why, and take effective steps to eliminate them.

During 2018-19 we also provided support on a number of fronts:

- In October 2018 we launched a £6 million Challenge Competition to generate new approaches to support student mental health and wellbeing. The successful bidders, funded from summer 2019, will trial innovative training and service delivery projects in collaboration with a range of partners including students' unions, schools, the NHS, and mental health charities.
- With Research England we delivered funding of £1.5 million for projects to enhance mental health support for postgraduate research students.
- We supported guidance and information resource initiatives, including a project led by Universities UK and the Papyrus charity to develop guidance for higher education leaders on preventing student suicides. The guidance was published in September 2018.<sup>17</sup> In February 2019 we provided funding to the Student Minds charity to assist the development of a University Mental Health Charter. We also supported the publication, in March 2019, of guidance for higher education providers on co-creating mental health strategies with their students, produced by Student Minds with support from Universities UK.<sup>18</sup>
- We are a member of the government's Education Transition Network, a new mental health taskforce set up to help students deal with the challenges that starting higher education can bring.

We also continued to support projects initiated by our predecessor body, the Higher Education Funding Council for England (HEFCE), relating to tackling sexual violence, hate crime and harassment on campus. As these projects come to an end, we will work with the sector project leads to ensure that lessons learned, and effective practice, are shared.

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<sup>16</sup> See [www.officeforstudents.org.uk/news-blog-and-events/our-news-and-blog/mental-wellbeing-let-s-find-new-ways-to-support-students/](http://www.officeforstudents.org.uk/news-blog-and-events/our-news-and-blog/mental-wellbeing-let-s-find-new-ways-to-support-students/)

<sup>17</sup> See [www.universitiesuk.ac.uk/policy-and-analysis/reports/Pages/guidance-for-universities-on-preventing-student-suicides.aspx](http://www.universitiesuk.ac.uk/policy-and-analysis/reports/Pages/guidance-for-universities-on-preventing-student-suicides.aspx)

<sup>18</sup> See [www.studentminds.org.uk/co-productionguide.html](http://www.studentminds.org.uk/co-productionguide.html)

## Safeguarding students: the Prevent duty

The Prevent duty aims to safeguard people from becoming terrorists or supporting terrorism. We are responsible for monitoring implementation of the duty by higher education providers across relevant higher education bodies (RHEBs) in England.<sup>19</sup> In September 2018, following consultation with sector bodies and providers, we published a revised and strengthened monitoring framework. The framework retains core elements of the previous approach, including the requirements of the government's statutory Prevent guidance and a focus on proportionality and context, but gives increased weight to a more evidence and risk-based monitoring approach.<sup>20</sup>

We will evaluate the revised framework in consultation with the sector in autumn 2019, and we will continue to work closely with providers, government and partners to share effective practice and drive continuous improvement.

## Protecting and promoting freedom of speech

Over the last year we developed our role in relation to protecting and promoting freedom of speech in higher education. Protecting free speech forms part of our initial and ongoing conditions of registration. We are also championing free speech at sector level. We worked with the Equality and Human Rights Commission and others<sup>21</sup> to develop new practical guidance on the legal rights and obligations around free speech<sup>22</sup> for use by all English higher education providers and students' unions.

## Outcomes

**All students, from all backgrounds, are able to progress into employment, further study, and fulfilling lives, and their qualifications hold their value over time.**

We use our powers as a regulator to influence higher education providers to improve outcomes for underrepresented groups and the sector as a whole. In addition to our provider-level regulation we publish wider analyses of important issues such as degree classifications over time.<sup>23</sup> As part of our regulatory framework, providers 'must ensure that qualifications awarded to students hold their value at the point of qualification and over time, in line with sector recognised standards'. The proportion of England-domiciled full-time first-degree graduates attaining a first class degree from providers registered in England increased from 16 per cent in 2010-11 to 27 per cent in 2016-17, whereas statistical modelling of graduate-level data predicts that there should have been little variation in the proportion of graduates attaining a first class degree over this time period based on changes in the graduate population.

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<sup>19</sup> RHEBs are those providers that are subject to Prevent duty monitoring by the OfS, as set out in the Counter-Terrorism and Security Act 2015 Section 26(1) at [www.legislation.gov.uk/ukpga/2015/6/contents/enacted](http://www.legislation.gov.uk/ukpga/2015/6/contents/enacted). See [www.officeforstudents.org.uk/advice-and-guidance/student-wellbeing-and-protection/counter-terrorism-the-prevent-duty/](http://www.officeforstudents.org.uk/advice-and-guidance/student-wellbeing-and-protection/counter-terrorism-the-prevent-duty/)

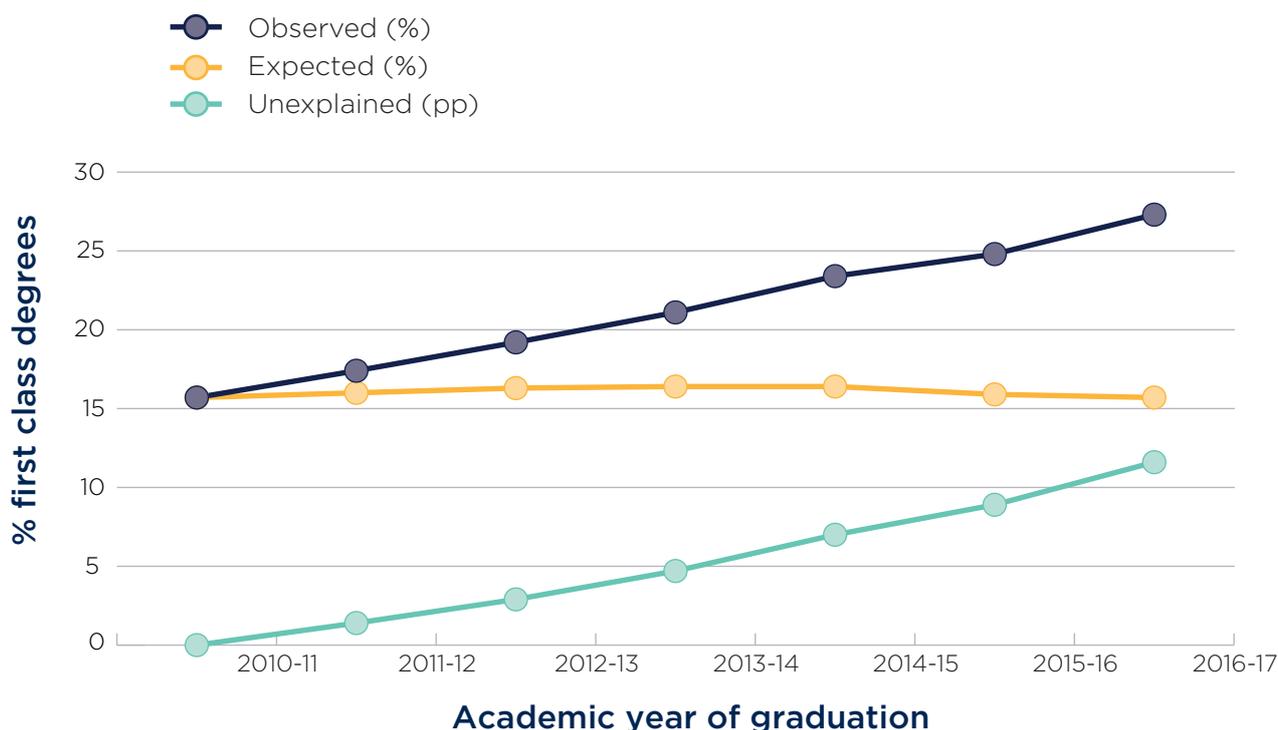
<sup>20</sup> See [www.officeforstudents.org.uk/publications/prevent-duty-framework-for-monitoring-in-higher-education-in-england-2018-19-onwards/](http://www.officeforstudents.org.uk/publications/prevent-duty-framework-for-monitoring-in-higher-education-in-england-2018-19-onwards/)

<sup>21</sup> Guidance was produced by the Equality and Human Rights Commission with input from the National Union of Students, Universities UK, Charity Commission for England and Wales, the OfS, Independent HE, GuildHE, Commission for Countering Extremism and the Home Office.

<sup>22</sup> See [www.equalityhumanrights.com/en/publication-download/freedom-expression-guide-higher-education-providers-and-students-unions-england](http://www.equalityhumanrights.com/en/publication-download/freedom-expression-guide-higher-education-providers-and-students-unions-england)

<sup>23</sup> See [www.officeforstudents.org.uk/publications/analysis-of-degree-classifications-over-time-changes-in-graduate-attainment/](http://www.officeforstudents.org.uk/publications/analysis-of-degree-classifications-over-time-changes-in-graduate-attainment/)

## Observed, expected and unexplained attainment of first class degrees in the sector from 2010-11 to 2016-17



Source: HESA and ILR

We want to make sure that the pipeline of graduate talent meets the needs of employers today and tomorrow. We know that higher education needs to keep better pace with rapid technology development. By investing £20 million over three years in the Institute of Coding<sup>24</sup> we are exploring ways to upskill and retrain existing workers in new and in-demand technologies, such as cybersecurity and artificial intelligence.<sup>25</sup> This means co-creating curricula and introducing flexible ways to learn: this year 5,000 people have signed up to the courses offered by the Institute of Coding.

A strong pipeline of highly skilled talent relies on good collaboration between employers and providers. We are supporting that collaboration through new employer-led provision such as degree apprenticeships and the Institutes of Technology.

We know that outcomes for graduates can also be affected by the buoyancy of local economies. Employment opportunities for those who choose to study and work in their home region are shaped by local and regional demand. Through our Challenge Competition we will invest £6 million in pilot projects aiming to improve the outcomes of local graduates.

<sup>24</sup> See [www.instituteofcoding.org/](http://www.instituteofcoding.org/)

<sup>25</sup> HEFCE began the £20 million investment in the 2017-18 financial year and the OfS's funding continues to financial year 2019-20.

## Value for money

**All students, from all backgrounds, receive value for money.**

We are required by HERA to have regard to the need to promote value for money in the provision of higher education. Ensuring value for money – for students, taxpayers and the economy – underpins our work to improve access and participation, to ensure a high quality student experience, and to achieve successful student outcomes. Through the delivery of the TEF, for example, we incentivise providers to deliver even better value for money through higher quality teaching and learning.

An early action was to commission research from a consortium of students' unions on student perceptions of value for money.<sup>26</sup> This and other evidence suggests that students want clear, accessible information about the quality of the teaching and learning experience they should receive, and the outcomes they can expect to achieve. As part of our wider work on student information, we want to ensure that they are able to find out what their higher education experience will be like, and how much it will cost – including, as our research highlighted, additional costs outside of tuition fees. This will also enable students to challenge poor value for money if their expectations are not being met.

It is a requirement of registration that providers demonstrate that they operate in an open, accountable way, publishing information about how they ensure value for money. This accountability requirement will continue through our ongoing monitoring.

We use financial and student number forecast data to inform our view of the financial health of the sector and to identify relevant patterns and trends relevant to financial sustainability. In doing so we also consider the impact of potential external challenges. In April 2019 we published a report on the overall financial health of the sector in England.<sup>27</sup> Our report takes an aggregate view of the financial result and forecasts submitted by registered providers in 2018.<sup>28</sup> Our analysis suggests that the sector overall is currently in reasonable financial health but this general picture masks considerable variations in financial performance between individual providers. It is important to note that all registered providers must have demonstrated that they are financially viable and sustainable as part of the registration process.<sup>29</sup>

In February 2019 we published data on senior staff pay for academic year 2017-18.<sup>30</sup> The analysis shows that 1.5 per cent of staff in the sector received a basic salary of more than £100,000 a year in 2017-18 (up from 1.3 per cent in 2016-17). The proportion of staff receiving a basic salary of greater than £100,000 fell at 48 providers. The report also sets out details of pay ratios between the heads of providers and all staff.

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<sup>26</sup> See [www.officeforstudents.org.uk/news-blog-and-events/press-and-media/new-research-shines-spotlight-on-student-perceptions-of-value-for-money/](http://www.officeforstudents.org.uk/news-blog-and-events/press-and-media/new-research-shines-spotlight-on-student-perceptions-of-value-for-money/)

<sup>27</sup> See [www.officeforstudents.org.uk/publications/financial-sustainability-of-higher-education-providers-in-england/](http://www.officeforstudents.org.uk/publications/financial-sustainability-of-higher-education-providers-in-england/)

<sup>28</sup> There were 183 providers on the register as of 7 March 2019. Further education colleges are excluded from this analysis.

<sup>29</sup> 'Financially viable and sustainable' means that we judge that there is no reason to suppose a provider is at material risk of insolvency within a period of three years and that a provider's plans and projections show that it has sufficient financial resources to fulfil conditions D(iii) and D(iv) of the OfS regulatory framework for a period of five years from the date on which the judgement is made.

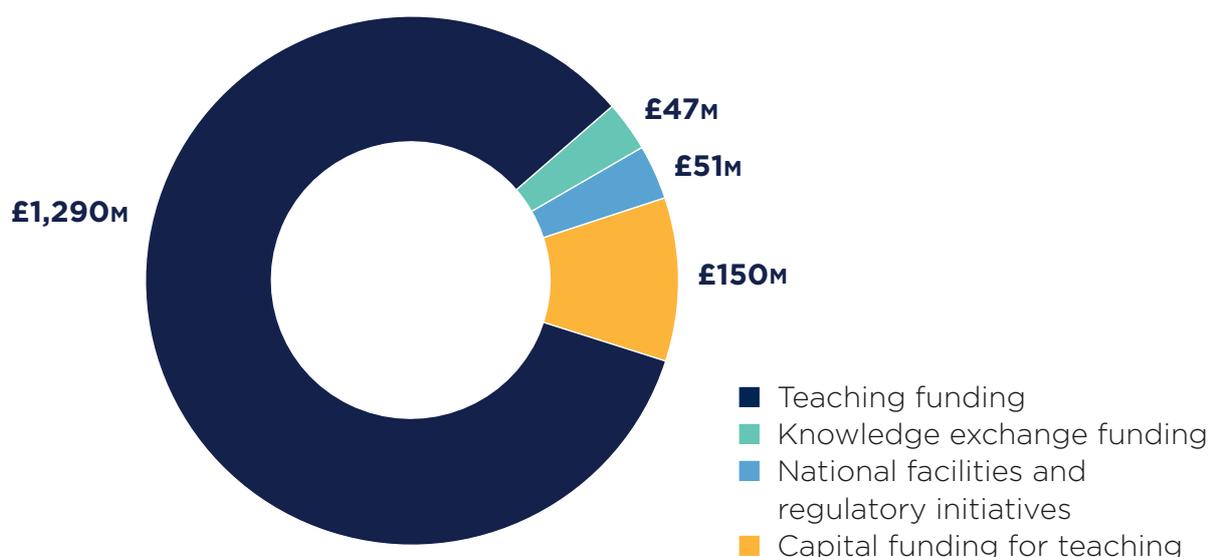
<sup>30</sup> See [www.officeforstudents.org.uk/advice-and-guidance/student-wellbeing-and-protection/value-for-money/senior-staff-pay/](http://www.officeforstudents.org.uk/advice-and-guidance/student-wellbeing-and-protection/value-for-money/senior-staff-pay/)

## Funding in support of our regulatory objectives

The tuition fees that higher education providers charge to students is the most significant source of funding for teaching. However, during the 2018-19 academic year we allocated funding for teaching-related purposes to more than 300 providers in England that are eligible for our public funds. These grants do not fully meet their costs: they make only a contribution towards their teaching and related activities. Providers are accountable to us, and ultimately to Parliament, for the way they use these funds.

To support student choice and quality of provision, our grants provide a contribution to subject areas where teaching costs are particularly high (such as science, engineering and medicine).

### OfS grant for 2018-19 academic year (1,538 million)



Funding also includes targeted allocations (for example, the nursing, midwifery and allied health supplement) and student premium funding to support successful student outcomes as outlined on page 13.

Most of this funding is allocated by formula as recurrent grants, based on the numbers and types of students at each provider. We also distribute formula-based capital grants and support for a number of national facilities and regulatory initiatives and, taking a joined-up approach, with UKRI we invest in the Higher Education Innovation Fund. Further information about our funding allocations for academic year 2018-19 is available on our website.<sup>31</sup>

<sup>31</sup> See [www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/annual-funding/funding-for-2018-19/](http://www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/annual-funding/funding-for-2018-19/)

## An efficient and effective OfS

**The OfS is an efficient and effective regulator.**

### Social matters

A commitment to good corporate governance drives our approach both as a regulator and employer. As a regulator, we invite challenge, and reflect on and evaluate our performance.

Our employees must follow the ‘Nolan’ seven principles of public life acting without bias or maladministration, and comply with our policy on prevention of bribery, corruption and improper conduct. Furthermore, during our first year we developed and articulated the values which guide our behaviours (see page 8). It is important to us that our staff is diverse, so we encourage applications from people of all backgrounds and identities. We have a strong commitment to staff wellbeing and our policies and procedures aim to ensure that our working environment is fair, safe and inclusive.

### Our first year

Our internal focus has been on building the skills, capability and capacity of our staff, and putting in place systems and processes, while also delivering a challenging business plan. By December 2018 staff who had transferred to the OfS from HEFCE and the Office for Fair Access (OFFA) had been confirmed in role, with external recruitment for remaining posts beginning in January 2019. In recruiting for these posts, we are working hard to attract diverse pools of applicants so that we better reflect and are better placed to serve students and wider society.

We have established a programme to deliver the technology and data platform necessary for our regulatory work, including tools for knowledge and information management, customer relationship management, registration, and interfacing with providers and other stakeholders. We also rolled out collaborative software to enable staff to work together more efficiently and productively.

We are an evidence-based regulator, and have been recognised as a producer of official statistics. Our data strategy for 2018 to 2021 was published in November 2018.<sup>32</sup> It sets out our commitment to using data and information to inform effective, efficient and intelligent regulation in the student interest, and the principles that will guide our work, including a commitment to reducing burden and working in partnership.

Our public enquiry line helps students, members of the public and others to get in touch with us. Last year we received over 3,700 calls and emails on a wide range of subjects, and we plan to continue to meet high standards of customer service in the coming year.

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<sup>32</sup> See [www.officeforstudents.org.uk/publications/office-for-students-data-strategy-2018-to-2021/](http://www.officeforstudents.org.uk/publications/office-for-students-data-strategy-2018-to-2021/)

# Performance analysis

This section sets out our progress against the 13 strategic outcomes which underpin the five strategic objectives in our strategy for 2018 to 2021.<sup>33</sup> Our business plan ensures our work is focused on these outcomes, and will evolve to ensure this focus is maintained. A summary of outputs from 2018-19 is below.

Strategic outcome	Delivery in 2018-19
<b>Participation</b>	
<p><b>P1</b> Access, success and progression are not limited by background and identity, and gaps are significantly reduced.</p>	<p>We are challenging higher education providers to make significant reductions in gaps in access, success and progression of different types of students over the next five years. In December 2018 we published guidance on our new approach to regulating access and participation which sets demanding targets for us and for the higher education sector.<sup>34</sup> This was followed in February 2019 by updates to regulatory notice 1<sup>35</sup> and regulatory advice 6.<sup>36</sup></p>
<p><b>P2</b> All access and participation activity is underpinned by evidence and ‘what works’.</p>	<p>We are funding a new independent ‘what works’ centre to help universities eliminate equality gaps in higher education.<sup>37</sup> Underpinning this is our strategy for evidence and evaluation in access and participation.<sup>38</sup></p> <p>We published a range of resources on evaluation and effective practice.<sup>39</sup></p>
<b>Experience</b>	
<p><b>E1</b> Students are able to choose from a diverse range of high quality higher education provision, which is responsive to the preferences and needs of students from all backgrounds and to the shifting national and global environment.</p>	<p>To support meaningful student choice, we developed and consulted on our IAG strategy. We are investing in significantly improving information, advice and guidance, working with existing IAG providers.</p> <p>Since May 2018 we received 470 applications for registration from both existing and new providers. As of 31 March 2019, 335 providers were registered and are now subject to our ongoing monitoring.</p> <p>Independent evaluation shows that the Degree Apprenticeship Development Fund was instrumental in rapidly establishing degree apprenticeships.<sup>40</sup> They are now offered by more than 100 higher education providers in England.</p> <p>We continue to evaluate our funding approaches to ensure they are fit for purpose. In August 2018, we consulted on our approach to funding for 2019-20 and issued a further consultation in February 2019, including on terms and conditions of funding.<sup>41 42</sup></p>

	<p>We issued regulatory advice for providers on how to apply for degree awarding powers in October 2018 and have now started to receive applications from new and existing providers.<sup>43</sup></p>
<p><b>E2</b> Students have a positive experience of higher education and are highly satisfied with the quality of teaching, learning, wider experience and outcomes.</p>	<p>We continued to fund, support and evaluate the 119 projects initiated under the HEFCE Catalyst Fund to tackle sexual violence, hate crime and online harassment. We invested £4.7 million of funding, which was match-funded by providers, bringing the total investment to £10 million. This year has seen the submission of 102 final reports on rounds 1 and 2 of the funding, highlighting a high level of whole provider engagement and effective student involvement. We have continued to support providers in evaluating their projects and have commissioned an independent evaluation of the wider funding programme. We published our first substantive report on the evaluation in September 2018<sup>44</sup> and a final report is due in summer 2019.</p> <p>In autumn 2018 we launched a Challenge Competition aimed at ‘Achieving a step change in mental health outcomes for all students’. We received 63 expressions of interest involving over 200 providers and partners. Final decisions and announcements were made in June 2019.<sup>45</sup></p> <p>We assessed 315 annual reports from providers in the reporting period covering Prevent related activity in 2016-17. As a result of our assessment we found that 97 per cent of relevant higher education bodies satisfied us that they were demonstrating due regard to the Prevent duty; an increase of three percentage points from the previous year’s cycle. One provider was assessed as ‘Not demonstrating due regard’ to the duty and was referred to the DfE. We published our analysis of the annual reports.<sup>46</sup></p> <p>We received 310 Prevent related returns from providers in December 2018 and finalised our assessment of these and began communicating outcomes to individual providers at the end of March 2019.</p>
<p><b>E3</b> Students’ knowledge and skills are improved during their higher education experience.</p>	<p>The TEF assesses three aspects of teaching excellence, namely teaching quality, the learning environment, and student outcomes. When assessing each provider’s student outcomes the extent to which all students achieve their educational and professional goals, in particular those from disadvantaged backgrounds, is scrutinised using quantitative and qualitative sources.</p>

<p><b>E4</b> Students' interests are protected when events have a material negative impact on their ability to continue to study on a course, at a campus, or with a provider.</p>	<p>We mitigate the potential risks to students through ensuring high quality thresholds for registration, including in relation to financial viability and sustainability. In addition, we require that providers produce a student protection plan. Where a provider's plan is assessed as weak, we require it to revise and resubmit its student protection plan.</p> <p>We have developed systems to support students where providers have not registered with the OfS, or where their applications to register have not been successful, including supporting 'teaching out' of their existing students.</p>
<p><b>Outcomes</b></p>	
<p><b>O1</b> Graduates and postgraduates leave with the knowledge and skills that will contribute to their national and local economies and communities, and drive productivity.</p>	<p>We support science, technology, engineering and mathematics and high-cost subjects through funding.</p> <p>Our October 2018 Challenge Competition to support employment outcomes for local students and graduates attracted 78 bids, including bids from combinations of providers, employers, local enterprise partnerships, local authorities and other stakeholders. Final decisions and announcements were made in May 2019.<sup>47</sup></p> <p>We participated in the governance arrangements overseeing the set-up of the Institute of Coding to ensure that we maintain progress towards addressing digital skills gaps.</p> <p>We commissioned research on the mature segment of the student market entering healthcare courses, in order to support continued recruitment of mature students to higher education health-related courses.<sup>48</sup></p>
<p><b>O2</b> Students' lives are improved and enriched by their time in higher education.</p>	<p>This strategic outcome is at the heart of our work: all registered providers must meet the requirements of the 24 conditions in our regulatory framework.</p> <p>We are ensuring that providers focus on closing gaps in participation and attainment to ensure that all students who can benefit from higher education have a positive experience.</p>
<p><b>O3</b> Qualifications hold their value over time, and students are able to use them long after leaving higher education.</p>	<p>In December 2018 we published analysis of unexplained inflation in graduate attainment, or 'grade inflation'.<sup>49</sup> We plan to update this analysis as data for later years becomes available. Making such data available encourages providers to consider how they approach this issue. Where they do not take sufficient action to address it, we may use the full range of our regulatory powers to intervene.</p>

Value for money	
<p><b>V1</b> Higher education delivers value for students, graduates, taxpayers and employers, especially in the form of positive student outcomes.</p>	<p>We developed our approach to monitoring the financial health of the overall sector and have begun to develop quantitative and qualitative analysis of providers' transparency on expenditure and value for money.</p> <p>We supported the independent review (commissioned by the DfE) of post-18 education and funding with a number of pieces of analysis.</p>
Efficiency and effectiveness	
<p><b>EF1</b> The OfS is a well-managed and appropriately structured organisation, which supports and develops its staff to enable delivery of its objectives.</p>	<p>Our staffing structure was designed to meet the needs of a modern regulator, enabling us to deploy resource where it is most needed. During our first operating year we prioritised resource for the initial registration process.</p> <p>We have developed a set of values to guide our work internally and with stakeholders (see page 8).</p>
<p><b>EF2</b> The OfS has the right systems and process infrastructure and resources to support delivery of its objectives.</p>	<p>We have established a digital, data and technology (DDaT) programme to deliver the technology and data platforms necessary for our regulatory work.</p> <p>We take account of the considerable and increasing risks associated with information and cybersecurity and are investing to mitigate risk. In October 2018 we were assessed against the cybersecurity essentials plus scheme, and certified as meeting the expected requirements.</p> <p>We are rolling out collaborative working software, including an integrated corporate services tool which enables the joining up of IT and human resources workflows.</p> <p>Our finance team was selected as the winner for the Government Finance Function's 'Team of the Year' Award. Awards cover all government departments, agencies and arm's-length bodies. The award was in recognition of the team's role in setting up the OfS and Research England, the closure of HEFCE and OFFA, the implementation of a new finance system and laying the 2017-18 HEFCE Annual report and accounts before Parliament within six weeks of year end.</p>

<p><b>EF3</b> Regulatory burden for providers is minimised.</p>	<p>We have committed to reduce regulatory burden for all providers who comply with our regulatory requirements. We have placed the approval of the next set of access and participation plans for academic years 2020-21 to 2024-25 onto a more strategic timescale, with the number of years during which a provider's plan may be in force to be based on its level of risk.</p> <p>We are a statutory regulator and are required to report to government under the Business Impact Target regulations for relevant regulators.</p>
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<sup>33</sup> See [www.officeforstudents.org.uk/publications/office-for-students-strategy-2018-to-2021/](http://www.officeforstudents.org.uk/publications/office-for-students-strategy-2018-to-2021/)

<sup>34</sup> See [www.officeforstudents.org.uk/publications/a-new-approach-to-regulating-access-and-participation-in-english-higher-education-consultation-outcomes/](http://www.officeforstudents.org.uk/publications/a-new-approach-to-regulating-access-and-participation-in-english-higher-education-consultation-outcomes/)

<sup>35</sup> See [www.officeforstudents.org.uk/publications/regulatory-notice-1-access-and-participation-plan-guidance/](http://www.officeforstudents.org.uk/publications/regulatory-notice-1-access-and-participation-plan-guidance/)

<sup>36</sup> See [www.officeforstudents.org.uk/publications/regulatory-advice-6-how-to-prepare-your-access-and-participation-plan-effective-practice-advice/](http://www.officeforstudents.org.uk/publications/regulatory-advice-6-how-to-prepare-your-access-and-participation-plan-effective-practice-advice/)

<sup>37</sup> See [www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/evaluation-and-effective-practice/transforming-access-and-student-outcomes/](http://www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/evaluation-and-effective-practice/transforming-access-and-student-outcomes/)

<sup>38</sup> See [www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/evaluation-and-effective-practice/strategy-for-evidence-and-evaluation-in-access-and-participation/](http://www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/evaluation-and-effective-practice/strategy-for-evidence-and-evaluation-in-access-and-participation/)

<sup>39</sup> See [www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/evaluation-and-effective-practice/](http://www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/evaluation-and-effective-practice/)

<sup>40</sup> See [www.officeforstudents.org.uk/advice-and-guidance/skills-and-employment/closing-the-skills-gap/the-degree-apprenticeship-development-fund/](http://www.officeforstudents.org.uk/advice-and-guidance/skills-and-employment/closing-the-skills-gap/the-degree-apprenticeship-development-fund/)

<sup>41</sup> See [www.officeforstudents.org.uk/publications/funding-for-academic-year-2019-20-approach-and-data-collection/](http://www.officeforstudents.org.uk/publications/funding-for-academic-year-2019-20-approach-and-data-collection/)

<sup>42</sup> See [www.officeforstudents.org.uk/publications/funding-for-2019-20-consultation-on-terms-and-conditions-and-method/](http://www.officeforstudents.org.uk/publications/funding-for-2019-20-consultation-on-terms-and-conditions-and-method/)

<sup>43</sup> See [www.officeforstudents.org.uk/publications/regulatory-advice-12-how-to-apply-for-degree-awarding-powers/](http://www.officeforstudents.org.uk/publications/regulatory-advice-12-how-to-apply-for-degree-awarding-powers/)

<sup>44</sup> See [www.officeforstudents.org.uk/publications/evaluation-of-safeguarding-students-catalyst-fund-projects/](http://www.officeforstudents.org.uk/publications/evaluation-of-safeguarding-students-catalyst-fund-projects/)

<sup>45</sup> See [www.officeforstudents.org.uk/news-blog-and-events/press-and-media/innovation-partnership-and-data-can-help-improve-student-mental-health-in-new-14m-drive/](http://www.officeforstudents.org.uk/news-blog-and-events/press-and-media/innovation-partnership-and-data-can-help-improve-student-mental-health-in-new-14m-drive/)

<sup>46</sup> See [www.officeforstudents.org.uk/publications/monitoring-of-the-prevent-duty-2016-17-progress-report-and-future-development/](http://www.officeforstudents.org.uk/publications/monitoring-of-the-prevent-duty-2016-17-progress-report-and-future-development/)

<sup>47</sup> See [www.officeforstudents.org.uk/news-blog-and-events/press-and-media/no-place-like-home/](http://www.officeforstudents.org.uk/news-blog-and-events/press-and-media/no-place-like-home/)

<sup>48</sup> See [www.officeforstudents.org.uk/publications/research-on-recruitment-of-mature-students-to-nursing-midwifery-and-allied-health-courses/](http://www.officeforstudents.org.uk/publications/research-on-recruitment-of-mature-students-to-nursing-midwifery-and-allied-health-courses/)

<sup>49</sup> See [www.officeforstudents.org.uk/publications/analysis-of-degree-classifications-over-time-changes-in-graduate-attainment/](http://www.officeforstudents.org.uk/publications/analysis-of-degree-classifications-over-time-changes-in-graduate-attainment/)

# Sustainability report

We are committed to good environmental practice and acting in a socially responsible way. We seek to follow industry best practice and achieve value for money in the way we operate our estate. Our estate is comprised of three buildings based in Bristol – two of which we share – and we lease one floor of a shared building in London.

## Our environmental performance

In addition to the proposed minimum reporting requirements of emissions, waste and finite resource consumption (scope 1 and 2), we report on scope 3 emissions arising from all business travel that is under our budgetary control. Our analysis of data follows the Department for Environment, Food and Rural Affairs' (Defra's) environmental reporting guidance.<sup>50</sup>

## Accounting policies for non-financial data

This is our first reporting period. When compiling this report, complete data for FY 2018-19 was not available. Data has been extrapolated to produce the annual figures below.

Total greenhouse gas emissions are calculated following guidance published by Defra, using current conversion factors for the reporting year.

## Water and energy consumption

The report on our consumption of water and energy (finite resources) combines available data for our Bristol and London offices. We share meeting space and one of our Bristol offices with Research England (RE). We collect data at a whole building level and have reported on behalf of Research England in line with HM Treasury guidance.<sup>51</sup>

We also share one of our offices with a private sector sub-tenant. There are separate metering arrangements for gas and electricity for our sub-tenant, and we use a proxy measure whereby half of the metered water in that building is ascribed to them.

As our water consumption is reported per full-time equivalent (FTE) staff, we include OfS staff, contractors and the RE staff FTE in the calculation of our water consumption.

**Table A1: OfS finite resource consumption**

	2018-19
	<b>Cubic meters (m<sup>3</sup>)</b>
Water*	6.92
	<b>Megawatt-hours (Mwh)</b>
Electricity	443
Gas	508
<b>Total energy</b>	<b>951</b>

\* Consumption per OfS and RE staff FTE

<sup>50</sup> See [www.gov.uk/government/publications/environmental-reporting-guidelines-including-mandatory-greenhouse-gas-emissions-reporting-guidance](http://www.gov.uk/government/publications/environmental-reporting-guidelines-including-mandatory-greenhouse-gas-emissions-reporting-guidance)

<sup>51</sup> See [www.gov.uk/government/publications/public-sector-annual-reports-sustainability-reporting-guidance-2018-to-2019](http://www.gov.uk/government/publications/public-sector-annual-reports-sustainability-reporting-guidance-2018-to-2019)

## Greenhouse gas emissions

As this is our first year of operation we have no directly comparable data to benchmark our performance against. We will aim for continuous improvement in line with the current Greening Government Commitments 2016 to 2020.<sup>52</sup>

**Table A2: OfS greenhouse gas emissions**

	<b>2018-19</b>
	<b>Tonnes of CO<sub>2</sub>e</b>
Total gross emissions* for scope 1 and 2	219
Gross emissions attributable to scope 3, business travel	98
<b>Total emissions</b>	<b>317</b>

\* We do not take into account net emissions for use of renewable tariffs and carbon offsets.

**Table A3: OfS greenhouse gas emissions from air travel**

	<b>2018-19</b>
	<b>Tonnes of CO<sub>2</sub>e</b>
Number of flights	79
	<b>Tonnes of CO<sub>2</sub>e</b>
Domestic flights	9.5
Short-haul international	1.3
Long-haul international	3.8
<b>Total emissions</b>	<b>14.6</b>

## Waste

We changed our main waste and recycling contractor at the end of FY 2018-19 and have concerns about the accuracy of data provided by our previous contractor on volumes and weights of waste and recycling collected from our premises.

Waste arising from our shared Bristol site cannot be attributed directly to the OfS, Research England or to our private sector sub-tenant. We have therefore reported the total figures for all three organisations.

**Table A4: OfS waste**

	<b>2018-19</b>
	<b>Tonnes</b>
Waste to landfill*	2.06
Waste recycled at source	19.48
<b>Total waste</b>	<b>21.54</b>
	<b>Percentage (%)</b>
<b>Total waste recycled at source</b>	<b>90.44</b>

\*This assumes the provider recycles none.

<sup>52</sup> See [www.gov.uk/government/publications/greening-government-commitments-2016-to-2020/greening-government-commitments-2016-to-2020](http://www.gov.uk/government/publications/greening-government-commitments-2016-to-2020/greening-government-commitments-2016-to-2020)

## Gross expenditure attributable to energy consumption

Table A5: Expenditure arising from consumption

	2018-19
	£000
<b>Utilities</b>	
Electricity	81
Gas	15
Water	10
<b>Total</b>	<b>106</b>
<b>Business travel</b>	
Car	15
Taxi	17
Rail	544
Air	10
<b>Total</b>	<b>586</b>
<b>Waste disposal</b>	
Waste sent to landfill	4
Waste recycled	3
<b>Total</b>	<b>7</b>

Nicola Dandridge CBE  
Chief Executive and Accounting Officer  
Office for Students

18 June 2019

# Accountability report

The background of the page is a solid light blue color. Overlaid on this background are several overlapping, semi-transparent geometric shapes in a slightly darker shade of blue. These shapes include rectangles, triangles, and trapezoids, some of which are oriented diagonally. A prominent diagonal line runs from the top-left towards the bottom-right, passing through the center of the page. The overall aesthetic is clean, modern, and professional.

# Corporate governance report

This is the first accounting period of the OfS. Our report covers the 15-month period from 1 January 2018, the date at which we became a legal entity, to 31 March 2019 which was the end of the first 12 months of our operation. Throughout this reporting period we have been establishing ourselves as a new organisation, and this transition will continue until 1 August 2019 when all of our powers under HERA (2017) are expected to come into force.

This report explains the composition and organisation of our governance structures and demonstrates how we have put in place arrangements for good corporate governance.

## Statement of Accounting Officer's responsibilities

The Permanent Secretary of DfE has appointed me, Nicola Dandridge CBE, as Accounting Officer of the OfS. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the OfS's assets, are set out in Managing Public Money published by the HM Treasury.

As Accounting Officer, and working with the OfS board, I am responsible for maintaining sound systems of management and internal control for the OfS. These systems support the achievement of our policies and strategic objectives.

I am responsible for using the public funds and assets assigned to the OfS economically, efficiently and effectively. I acknowledge my responsibilities in respect of the funds provided to the OfS which are allocated to providers of higher education and others for education and associated purposes.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the OfS's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

Under HERA, Schedule 1, paragraph 13, the OfS is required to prepare accounts for each financial period, in conformity with the Secretary of State for Education's Accounts Direction, detailing the resources required, held, or disposed of during the period and the use of resources by the OfS during the period, including recurrent and non-recurrent programme funding to institutions and administration costs. The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the OfS and of its income and expenditure, changes in taxpayers' equity and cashflows for the financial period. In preparing the accounts, as Accounting Officer I am required to comply with the requirements of the government financial reporting manual and in particular to:

- observe all relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgments and estimates on a reasonable basis
- state whether applicable accounting standards, as set out in the 'Government Financial Reporting Manual', have been followed, and disclose and explain any material departures in the accounts; and prepare the financial statements on a going concern basis.

I take personal responsibility for the annual report and accounts and confirm that the annual report and accounts as a whole is fair, balanced and understandable.

## **Governance statement**

As a new organisation, carrying out new functions, we face a number of challenges, yet have a real opportunity to demonstrate our impact and value for money. Many of these challenges and opportunities are outlined in our Performance report. Our ability to manage the risks we face in relation to our work is critical to our success. Our framework for corporate governance and control needs to support us to be a resilient organisation, one which has robust oversight, and one which can adapt and change so that we can have real influence in a changing environment.

The OfS is an Executive Non-Departmental Public Body (NDPB) under the sponsorship of the DfE.

The OfS's governance structure has been designed to fulfil effective decision making around the regulation of higher education in England and for the effective management and oversight of the organisation.

## **The OfS board**

The OfS board comprises the chair, chief executive, an additional executive director – the Director for Fair Access and Participation (DFAP) – and at least seven and no more than 12 non-executive members who are appointed by the Secretary of State for Education. They bring together a wide range of backgrounds, skills and expertise, and include a student representative. Membership and biographies of board members are available on our website.<sup>53</sup>

The standards to which the board operates are set out in our 'Approach to corporate governance'<sup>54</sup> and the arrangements for how it will carry out its business are detailed in its 'Board proceedings and code of conduct'.<sup>55</sup> In establishing our governance arrangements, we applied the principles of the Corporate Governance Code and we comply with the code (to the extent that it is relevant to the OfS as a NDPB).

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<sup>53</sup> See [www.officeforstudents.org.uk/about/who-we-are/our-board-and-committees/](http://www.officeforstudents.org.uk/about/who-we-are/our-board-and-committees/)

<sup>54</sup> See [www.officeforstudents.org.uk/media/1336/approach-to-corporate-governance.pdf](http://www.officeforstudents.org.uk/media/1336/approach-to-corporate-governance.pdf)

<sup>55</sup> See [www.officeforstudents.org.uk/media/1333/ofs-board-proceedings-and-code-of-conduct.pdf](http://www.officeforstudents.org.uk/media/1333/ofs-board-proceedings-and-code-of-conduct.pdf)

The board met in January and March 2018 to agree its strategy statement, the new regulatory framework, the budget and annual business plan before the OfS became operational on 1 April 2018, following the closure of HEFCE and OFFA.

The board has four committees which are composed of a mixture of board members and independent members. During the spring of 2018 we recruited 12 independent members to the committees of the board, and these members were in place by July 2018. Their biographies are available on our website.<sup>56</sup>

The board assessed its effectiveness in the late autumn of 2018 by a questionnaire for members of the board. In discussion, the board noted that it carries a high level of responsibility and it should test and challenge itself accordingly. As well as specific proposals around meeting length and frequency, and the information provided to inform decision making, the exercise concluded that the board was developing a positive culture, strong collective sense of purpose, and assertive decision making. Some of the responses recognised the need for continued development in board effectiveness and operations as the board was new and still evolving.

## **Organisational structure**

The business plan and objectives are delivered through an organisational structure aligned to six Executive Directorates.

Our scheme of delegation sets out how our functions are exercised, and decisions delegated to the appropriate level.<sup>57</sup>

The executive leadership team are the chief executive, the DFAP and directors. They form the Directors' Group which provides executive management and governance of our operations and delivery.

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<sup>56</sup> See [www.officeforstudents.org.uk/about/who-we-are/our-board-and-committees/](http://www.officeforstudents.org.uk/about/who-we-are/our-board-and-committees/)

<sup>57</sup> Available at [www.officeforstudents.org.uk/about/who-we-are/our-board-and-committees/](http://www.officeforstudents.org.uk/about/who-we-are/our-board-and-committees/)

## The OfS board, committees and panels



## Meetings attended

	OfS board	Risk and Audit Committee	Provider Risk Committee	Quality Assessment Committee	Remuneration and Nominations Committee
<b>Sir Michael Barber</b> Chair	8/8				1/1
<b>Martin Coleman</b> Deputy chair	8/8		12/12	4/4	
<b>Ruth Carlson</b> (term of office ended 30 September 2018)	5/5				
<b>Nicola Dandridge CBE</b>	8/8				
<b>Gurpreet Dehal</b>	8/8	5/5			
<b>Elizabeth Fagan</b>	6/8		9/12		
<b>Katja Hall</b>	7/8	4/5			
<b>Verity Hancock</b> (term of office commenced 1 February 2019)	1/1				
<b>Kathryn King</b> (term of office commenced 1 February 2019)	1/1		1/1		
<b>Kate Lander</b>	8/8	5/5			
<b>Simon Levine</b>	6/8			4/4	
<b>Martha Longdon</b> (term of office commenced 1 October 2018)	3/3				
<b>Carl Lygo</b> (resigned from the board May 2018)	2/2				
<b>Chris Millward</b>	8/8				
<b>David Palfreyman OBE</b>	8/8				
<b>Monisha Shah</b>	8/8			4/4	1/1
<b>Professor Steve West CBE</b>	6/8				

## Governance framework and arrangements

A framework document, which was drawn up by the DfE in consultation with us, sets out the broad framework within which we operate. This document will be reviewed and agreed annually. It sets out our purpose, the core elements of the relationship with our sponsor government department and the governance arrangements within which we operate.<sup>58</sup>

The Secretary of State issues an annual letter of guidance<sup>59</sup>, setting out the government's priorities and the work it expects the organisation to carry out. Guidance may be issued at other points during the year. In performing our functions we must have regard to any guidance given by the Secretary of State.

Additionally, we must have regard to the regulatory framework which is composed of five parts:

- Part I: The OfS's risk-based approach
- Part II: Sector level regulation
- Part III: Regulation of individual providers
- Part IV: Validation, degree awarding powers and university title
- Part V: Guidance on the general ongoing conditions of registration

During our first 15-month reporting period of operations, we have been developing our governance framework and internal controls and our organisational culture in order to operate effectively with its broad range of responsibilities.

In its June 2018 report on the Higher Education Market, the House of Commons Public Accounts Committee (PAC) asked the DfE and the OfS to articulate what value for money means in higher education and how the OfS will seek to monitor and improve it. Additionally, the PAC asked us to report on our priorities for protecting student interests and how we will measure and report on performance. Our priorities are set out in our business plans for 2018-19 and 2019-20. Additionally we published key performance measures, and intend to publish a value for money strategy in December 2019.

During the transition period (1 April 2018 to 31 July 2019), we distributed funding to providers under powers that formerly applied to HEFCE arising from the Further and Higher Education Act 1992. Our direct funding powers have been limited during this period to the same teaching and related activities and to the same categories of providers as applied under HEFCE.

From 1 August 2019, we will fund providers under powers arising from HERA. In February 2019 we consulted providers about the Terms and conditions of funding for 2019-20.<sup>60</sup>

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<sup>58</sup> See [www.officeforstudents.org.uk/media/1441/ofs-framework-28-april-2018.pdf](http://www.officeforstudents.org.uk/media/1441/ofs-framework-28-april-2018.pdf)

<sup>59</sup> Available at [www.officeforstudents.org.uk/advice-and-guidance/regulation/guidance-from-government/](http://www.officeforstudents.org.uk/advice-and-guidance/regulation/guidance-from-government/)

<sup>60</sup> Available at [www.officeforstudents.org.uk/publications/funding-for-2019-20-consultation-on-terms-and-conditions-and-method/](http://www.officeforstudents.org.uk/publications/funding-for-2019-20-consultation-on-terms-and-conditions-and-method/)

## The OfS's role as principal regulator under the Charities Act 2011

Under the Charities Act 2011, we are the principal regulator of the exempt charities that are higher education providers for which we are the primary regulator – this includes connected charities of those exempt charities. We have agreed a Memorandum of Understanding with the Charity Commission to assist us in meeting our obligations, and we report to it annually on our work.

We discharge our 'compliance objective' under charity law by:

- a. making information available to providers about changes to the charity law obligations that apply to exempt charities. Providers are encouraged to subscribe to our charity regulation mailing list<sup>61</sup> to receive such briefings and alerts
- b. promoting compliance with charity law by sharing with providers relevant guidance from the Charity Commission and the Fundraising Regulator
- c. working with other organisations to develop guidance to support trustees in understanding their own and the charity's responsibilities under charity law
- d. notifying the Charity Commission if we have concerns about a breach of charity law or other misconduct or mismanagement in the administration of a provider that is an exempt charity, or if it becomes aware of any other matter in which the Charity Commission has a regulatory interest.

There were no significant issues requiring our intervention in this reporting period.

## Working with others

HERA established the principle of co-regulation of English higher education providers.

On our recommendation, the **Quality Assurance Agency (QAA)** was designated by the Secretary of State as the designated quality body for higher education in England to perform the assessment functions in relation to quality and standards in English higher education required under paragraph 3 of Schedule 4 to HERA. A formal designation agreement was signed in July 2018 setting out the respective obligations of the OfS and the QAA. The effective performance of the assessment functions is central to our ability to reach decisions about whether an individual provider meets initial and ongoing registration conditions and about the authorisation, variation or revocation of degree awarding powers. Since April, we have worked with the QAA to design and implement a gateway review method for providers that wish to be included on the OfS Register.

Similarly, the **Higher Education Statistics Agency (HESA)** was designated as the designated data body. In collecting data, we work closely with HESA – combining its expertise in data collection and dissemination with ours – to ensure that these activities are as efficient and effective as possible.

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<sup>61</sup> See [www.jiscmail.ac.uk/Charityreg-OfS](http://www.jiscmail.ac.uk/Charityreg-OfS)

In November 2018 we published our data strategy for 2018 to 2021.<sup>62</sup> This noted that effective regulation requires up-to-date data. We need to be able to anticipate challenges to the sector or individual providers in order to take timely regulatory action.

Much of the currently available data about higher education providers and their activities is at least a year out of date. HESA is undertaking a major IT transformation programme – Data Futures – designed to deliver high quality in-year data that meets the needs of a wider range of stakeholders. We – and HEFCE before us – have been significant funders of this transformation programme. In-year data will enable us to anticipate individual provider and sector-level challenges and take action as required. However, the project has encountered difficulties and the HESA Board took a decision on 1 March 2019 that the implementation of Data Futures should be delayed as the project could not proceed on the current timeline with enough confidence to meet the data quality needs of the sector. Our funding of the programme has been paused while the scope and arrangements for governance are revised.

The Department for Business, Energy and Industrial Strategy and the DfE identified several strategic areas for cooperation between **UKRI** and the OfS during the passage of HERA, including:

- The skills and talent pipeline
- Infrastructure funding
- The financial sustainability of higher education providers
- Accountability and assurance
- Evidence gathering
- The Research Excellence Framework
- The Teaching Excellence and Student Outcomes Framework (TEF)
- The Knowledge Exchange Framework.

We developed a collaboration agreement with UKRI which sets out how the two organisations will work together on strategic areas for cooperation.<sup>63</sup> Our business plan for 2018-19 details the collaborative activities between the OfS and UKRI including identifying joint priorities for the promotion of postgraduate student participation, preparation to launch joint activities on supporting progression to postgraduate education and equality and diversity, and working together to promote student engagement with the workplace, local communities, and social and student enterprise.

Consistent with the principles of better regulation where public bodies, wherever possible, should be able to rely on each other's systems of oversight and assurance to minimise the accountability burden placed on providers while maintaining an appropriate and proportionate level of accountability for public funds, this agreement specifies that UKRI relies on the OfS's regulation of English higher education providers receiving research funding, and depends on the judgements and decisions the OfS makes as a regulator of

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<sup>62</sup> See [www.officeforstudents.org.uk/publications/office-for-students-data-strategy-2018-to-2021/](http://www.officeforstudents.org.uk/publications/office-for-students-data-strategy-2018-to-2021/)

<sup>63</sup> See [www.ukri.org/files/about/collaboration-agreement-schedule-ukri-ofs-pdf/](http://www.ukri.org/files/about/collaboration-agreement-schedule-ukri-ofs-pdf/)

providers in England (this does not extend to assurances about the specific terms and conditions of UKRI's grants).

The OfS Accounting Officer wrote to the UKRI Accounting Officer in June 2019 providing assurance over the regularity of expenditure of UKRI grant funding to certain higher education providers. Written assurance is provided on the work that we carried out to gain assurance over a provider's arrangements for financial sustainability, risk management, internal control, governance and value for money.

## **Risk management**

As a new organisation we made the development of our approach to risk management a priority. The board and the Risk and Audit Committee (RAC) led this development with the support of the Directors' Group. An initial risk management approach was introduced, and an OfS-wide risk register established by September 2018. Following this, the maturity of our approach accelerated.

Our approach involves:

- Identification and management of risks at three levels: strategic, corporate and operational
- Alignment of risk with planning, programme and project management at both corporate and directorate level
- Systematic use of risk appetite in determining the risk response
- Integration of assurance and internal control review
- Creation of an organisation-wide culture which builds increasing risk maturity.

We recognise the need to continue to mature the organisation's management of risk through engagement across the organisation. This is a key priority in 2019 and will drive effective risk-based decision making on a daily basis.

A summary of the strategic risks we face are outlined below. Working through the senior leadership team and through programme and project management, specific threats and opportunities are identified and assessed which underpin these strategic level risks. Each risk is owned by the chief executive or a director.

The RAC and OfS board receive quarterly reports on strategic and key operational risks and the OfS board receives regular written or oral updates on the risk environment from the chief executive.

## Our strategic risks

Description of risk	Key issues and mitigating actions
<b>Regulation</b>	
<p>As a result of the complexity of the regulation role and the lack of experience as a regulator, the OfS fails to use its regulatory levers, makes incorrect or incoherent decisions, or the regulation process is inefficient. This leads to confusion in the higher education sector, a detrimental impact on providers and students, and public criticism of the OfS.</p>	<ul style="list-style-type: none"> <li>• We prioritised and directed staff resource towards the highly demanding initial registration process. The size and demands of the task (such as dealing with incomplete applications) meant that we were unable to meet our initial timeframes.</li> <li>• Mitigating actions were the effective operation of our registration framework and effective functioning of our Provider Risk Committee and use of external expertise to deal with challenging individual cases.</li> </ul>
<b>Participation</b>	
<p>As a result of the changing nature of the higher education sector, its operation as a market, and the inherent complexity of higher education, there is an inability for the OfS to truly impact on access and participation for underrepresented groups. This leads to a lack of progress in closing gaps in access, success and progression at providers, and criticism of the OfS's effectiveness.</p>	<ul style="list-style-type: none"> <li>• The most recent performance indicators about widening participation, released by HESA in February 2018 relating to the 2016-17 and 2017-18 academic years, suggest that only incremental progress is being made.</li> <li>• Mitigating actions were that conditions of registration have been imposed around access and participation. We published detailed regulatory and good practice guidance on 28 February 2019 to challenge providers to make greater progress in closing participation and attainment gaps.</li> <li>• We are using strategic funding to support our access and participation priorities.</li> </ul>
<b>Provider</b>	
<p>Due to poor governance and management by providers, potentially outside of OfS control, a provider exits the market in an unplanned way. This impacts on student outcomes and experience and builds perception of the OfS not regulating effectively.</p>	<ul style="list-style-type: none"> <li>• Higher education providers are operating in a volatile environment, with demographic and financial challenges. Additionally, the EU-exit decision created additional risks for some providers.</li> <li>• Mitigating actions include the proactive monitoring of registration conditions, effective planning for early interventions, and</li> </ul>

Description of risk	Key issues and mitigating actions
	development of better protections for students. We plan to issue revised guidance on student protection plans.
<b>Student experience</b>	
<p>Due to a lack of provider-level regulatory tools, as well as high expectations and ambition for the OfS to secure positive choices for students, the OfS struggles to meet student expectations that it is focused on securing a safe, healthy and inclusive experience for all students.</p> <p>This negatively impacts on student welfare and well-being, and builds a perception of the OfS not being focused enough on the student experience.</p>	<ul style="list-style-type: none"> <li>• Students have legitimate expectations that the OfS will have a positive impact on their experience. The most significant way that we are able to do this is through the requirements that we place on providers.</li> <li>• Mitigating actions include the impact of the TEF, the conditions of registration imposed around student outcomes, and proactive monitoring of ongoing conditions.</li> <li>• Additionally, we work in partnership with a number of other organisations to promote student safeguarding and wellbeing.</li> </ul>
<b>Political</b>	
<p>As a result of diverse political views around the higher education sector, including funding and fees, a change in government policy or government could threaten the role of the OfS as a regulator for higher education. This would significantly change the remit of the OfS.</p>	<ul style="list-style-type: none"> <li>• We demonstrate our effectiveness in protecting student interests (so transcending political interests).</li> <li>• We engage all sides of the political spectrum and undertook regionally focused briefing sessions for MPs, Peers, Parliamentary advisers and assistants, which were hosted by the OfS chief executive and DFAP. Each discussed particular regional issues and challenges and the work of the OfS.</li> <li>• We engage with the DfE and other government departments.</li> </ul>
<b>Security</b>	
<p>As a result of inadequate systems and processes, coupled with an increasing external security threat, the OfS experiences a significant breach of physical data or information security. This would lead to criticism, loss of trust from students, and increased external scrutiny.</p>	<ul style="list-style-type: none"> <li>• We are mindful of the considerable and increasing risks associated with information and cybersecurity and are investing to mitigate risks (see the Transformation risk mitigation below).</li> </ul>

Description of risk	Key issues and mitigating actions
	<ul style="list-style-type: none"> <li>• We are certified as meeting the requirements of the cybersecurity essentials plus scheme.</li> <li>• In January 2019 our internal auditors (EY) reviewed the maturity of our cybersecurity programme arrangements, concluding that cybersecurity in the OfS has developed significantly from previous reviews (of HEFCE), and that the completed actions from previous reviews are notable in the domain maturity scores. The auditors also noted that, with the progress underway, we are moving towards the next level of maturity in the model.</li> <li>• An Information Security Steering Group oversees arrangements and monitors progress on actions and key measures.</li> <li>• There is training for staff to be aware and alert to threats, and comply with information security policy and procedures.</li> <li>• There are procedures in place to manage the risk of protected personal data-related incidents which includes detecting, reporting, responding to and handling security incidents. We monitor the effectiveness of our policies to ensure we have a robust process in place. A breach of protected personal data-related incidents is defined as 'any circumstance that has the potential to compromise our people, property or information'.</li> </ul>
<b>Capability</b>	
<p>As a result of the need to shift the skills profile of the OfS significantly, and to move away from the functions and culture of the previous organisations, as well as to respond to the challenges of a competitive recruitment market, we are unable to develop and maintain sufficient people capability to respond to the challenges faced. This would lead to a failure to</p>	<ul style="list-style-type: none"> <li>• The organisation began this operating period in a transitional structure.</li> <li>• Mitigating actions to develop the capability of the new organisation include a widespread staff structuring process which was substantially completed by March 2019. This brought staff into the OfS with new skills and experience to meet the needs of a modern regulator.</li> </ul>

Description of risk	Key issues and mitigating actions
<p>deliver against the organisation's new powers and public criticism.</p>	<ul style="list-style-type: none"> <li>• The year was not without resourcing challenges: a number of roles in specialised areas were difficult to fill. However, we continue to see improvements towards filling all gaps in our structure.</li> <li>• We support and develop our staff through learning and development plans to enable high performance across all our work.</li> <li>• We are continuing to focus on improving the diversity of our workforce in order to provide the organisation with the best possible chance of success.</li> </ul>
<b>Transformation</b>	
<p>As a result of the changing nature of society, the education sector and technology, the OfS needs to transform. There is an opportunity to modernise at a pace which matches global change, meets the expectations of the sector, exploits expertise and talent, and delivers cash benefits. Any failure to transform and innovate would create stagnation and greater risk over time.</p>	<ul style="list-style-type: none"> <li>• We have developed, in consultation with our staff, our organisational values (Ambition, Openness, Learning and Diversity) which will shape the transformation and development of our culture and ways of working.</li> <li>• We are engaged in a multi-year Digital, Data and Technology (DDaT) programme to deliver enterprise-wide solutions which provide the OfS with a flexible, scalable, reliable and robust technology and data platform which will enable the organisation to become a trusted and respected independent regulator.</li> </ul> <p>Key delivery focuses of the programme are:</p> <ul style="list-style-type: none"> <li>- A new OfS Register, built for the new registration and regulatory processes.</li> <li>- A Customer Relationship Management (CRM) system to focus all interactions with providers and other stakeholders, to manage the regulatory processes, and to deliver the OfS Register.</li> <li>- A new secure Provider Portal to provide the digital channel for providers to interact with our processes.</li> <li>- We have developed our Data Management strategy, capabilities and technologies to support our regulatory role and business processes.</li> </ul>

Description of risk	Key issues and mitigating actions
<b>Financial management</b>	
<p>As a result of the complexity of the OfS funding position and the move away from a central funding model, there is a risk of volatility, budget overspend or underspend, and failure to deliver priorities and efficiencies. This would lead to financial instability or long-term funding sustainability.</p>	<ul style="list-style-type: none"> <li>• We maintained close oversight of our financial position during a period of uncertainty associated with our staff restructuring.</li> <li>• We ended the year in a healthy financial position.</li> <li>• We have been proactive in preparing for a change in the basis for our funding, from central government funding to largely being funded by registration fees.</li> <li>• We plan a fundamental review of our own teaching funding method, for providers to apply from academic year 2020-21.</li> </ul>

### Opinion of the Head of Internal Audit

The work of the OfS's internal auditors, EY, included cybersecurity, data protection and EU General Data Protection Regulation compliance, finance, payroll and human resources controls, the governance of our DDaT programme and of the OfS's transformation programme, and the processes and controls for managing the OfS's regulatory work.

Based on his work throughout the year, the Head of Internal Audit has provided his formal opinion on the adequacy of risk management, control and governance processes at the OfS.

#### Internal audit opinion

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a conclusion as to the adequacy and effectiveness of the OfS's risk management, control and governance processes.

Based on the internal audit work performed during 2018-19, in our opinion there was adequate and effective risk management, control and governance processes to provide reasonable assurance over the achievement of the OfS's objectives and the management of key risks. While individual reviews identified that there are elements of the system of internal control requiring improvement, the overall system of internal control enables the OfS to achieve its objectives and manage its principal risks. Where recommendations have been raised, management have taken action to implement identified recommendations on a timely basis.

## Opinion of the Risk and Audit Committee

Given the opinions of both the Head of Internal Audit and the National Audit Office as expressed in their annual reports, and the other information available to us from our work during the year, the Risk and Audit Committee can provide the OfS chief executive, as Accounting Officer, with reasonable assurance that the OfS's processes relating to corporate governance, risk management, value for money and internal control are working satisfactorily.

We are satisfied with the quality of the work provided by our external provider of internal audit services and with the services of the National Audit Office. Through this work, we are able to take a measured view and receive assurance on the quality and effectiveness of financial reporting and internal control within the OfS.

Based on our own inputs and advice, and the subsequent actions taken by management, it is our view that the committee has worked effectively with Internal Audit, ensuring the focus of the work is relevant to the risks facing the OfS. We can demonstrate that we have supported the chief executive and management in their work and offered constructive challenge where required. In carrying out these activities, we believe we have fully discharged our responsibilities in accordance with our terms of reference.

## Complaints

We have a formal process for complaints about the service we provide, our staff's behaviour, and whether we have followed appropriate procedures. In this reporting period, we recorded 10 complaints of this nature, three of which led to corrective actions.

Our complaints process follows, and is subject to, the Parliamentary and Health Service Ombudsman's Principles of Good Complaint Handling.

## Internal whistleblowing

We have developed an internal whistleblowing policy which allows for a number of routes for public disclosure reporting, including externally to the DfE and the National Audit Office. During the accounting period no disclosures were made by staff or members.

## Notifications

The OfS has a separate process intended for students, staff and other people and organisations who wish to notify us of a matter that may be of regulatory interest to us. We call these 'notifications'. In this reporting period, we received 117 notifications, raising enquiries in 18 cases, and taking further action where we concluded that this was necessary. The intelligence gathered through notifications is informing our monitoring of providers' compliance with the ongoing conditions of registration.

## **Freedom of Information**

Freedom of Information requests to the OfS are not subject to National Statistics monitoring. In 2018-19 we received 112 requests of which 97.3 per cent were responded to within 20 working days following receipt.

These figures include a very small number of Environmental Information Requests and Re-Use of Public Sector Information requests.

## **Better regulation**

HERA paragraph 2.1(g) provides the basis of our general compliance with the principles of best regulatory practice. Our regulatory framework commits us to compliance with the Regulators' Code, a statutory obligation for National Regulators in the Legislative and Regulatory Reform Act 2006. The OfS is in scope for legal compliance with the provisions of the Small Business, Enterprise and Employment Act 2015 as amended by the Enterprise Act 2016 (including the Business Impact Target with corresponding reporting requirements).

## **Equal opportunities and diversity**

The OfS regulates the universities and colleges in England in the interest of students. Our higher education sector-focused equality and diversity objectives and priorities are therefore part of our strategy.

We have reviewed our policies both against compliance with legislation and to ensure their alignment with the business plan. Our Equality and Diversity statement and action plan for 2018-2022 are designed to address both our sector-focused and our internal, staff-focused objectives. They include milestones for action and management responsibilities for eight objectives in equality and diversity.<sup>64</sup>

## **Directors' report**

The directors of the OfS comprise the executive leadership team and the non-executive board members, whose details are set out above in the governance statement.

## **Register of interests**

We have strict guidelines on conflicts of interest.

Members of the Directors' Group and board and committee members complete a declaration of interests, and registers of interest are available on our website.<sup>65 66</sup>

Members declare interests on agenda items at the start of every board and committee meeting.

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<sup>64</sup> Available at [www.officeforstudents.org.uk/about/equality-and-diversity/](http://www.officeforstudents.org.uk/about/equality-and-diversity/)

<sup>65</sup> See [www.officeforstudents.org.uk/about/who-we-are/our-senior-team/](http://www.officeforstudents.org.uk/about/who-we-are/our-senior-team/).

<sup>66</sup> See [www.officeforstudents.org.uk/about/who-we-are/our-board-and-committees/](http://www.officeforstudents.org.uk/about/who-we-are/our-board-and-committees/).

## **Personal data related incident**

During the accounting period, we became aware of a personal data incident and were informed that a notification to the Information Commissioner's Office (ICO) had been made by the relevant Data Controller. We also made our own report to the ICO as a third party. As our report was made as a third party, rather than as a Data Controller or Data Processor, we have not received and may not receive a response from the ICO to our report. However we have received confirmation from the relevant Data Controller who made the original notification, that the ICO will take no action in respect of the incident.

## **Other disclosures**

Some disclosures required within the Directors' report are included elsewhere in the annual report such as the Remuneration report on page 53. Future developments affecting our business are discussed in the Performance report.

## **Prompt payment**

We are fully committed to the prompt payment of suppliers, and aim to pay all valid invoices as soon as possible. We support the Better Payment Practice Code which targets payment within 30 days, and monitor our performance in-year against this target. We also monitor our performance against 10-day and five-day measures, as we wish to balance the desire to pay our creditors as promptly as we can against the need to maintain effective internal controls. In 2018-19 our 30-day performance was 99 per cent of invoices with a 10-day performance of 97 per cent and a five-day performance of 90 per cent.

## **Overall conclusion**

As Accounting Officer I am responsible for reviewing the effectiveness of the OfS's system of internal controls, as set out above. My review of the effectiveness of the system of internal controls was informed by:

- Assurance from Senior Responsible Officers for all of our programmes that they have acted in accordance with their delegations and the operation of our governance framework
- Independent assurance from our internal auditors and the assurance reports and reviews undertaken to inform our returns to government
- The opinion of the Head of Internal Audit
- Scrutiny and advice provided by the Risk and Audit Committee
- A meeting with the National Audit Office to discuss the process and findings of the external audit
- Discussion of the annual report and accounts at the OfS board in May 2019
- An exchange of letters with the Education and Skills Funding Agency in order to obtain assurance on the regularity of the use of the OfS's funds by further education colleges and sixth forms.

Based on my review of this evidence I am assured that we have a strong system of internal controls to support the delivery of our strategy. That said, I am not complacent, and as a new organisation there are areas where we need to take further action to reinforce our internal systems, particularly in relation to the embedding of our approach to risk management, the management of information and data and the need to remain vigilant in the face of cybersecurity threats.

We are conscious of the changing external risk environment. We will continue to take action as necessary to enhance our internal arrangements to ensure that we are able to manage these risks effectively in the coming year. During 2019-20, we are undertaking a review of a number of elements of our governance arrangements with a view to ensuring they are fit for purpose as we move into full implementation of the regulatory framework.

# Remuneration and staff report

## Part one (not subject to audit)

### Remuneration and Nominations Committee

The Remuneration and Nominations Committee is one of the OfS's committees. Members of the committee for 2018-19 were:

- Monisha Shah (Committee chair), OfS board member
- Sir Michael Barber Chair, OfS board
- Martha Longdon, OfS board member (term commenced 1 February 2019)
- Ruth Carlson, OfS board member (term ended 30 September 2018).

The chief executive normally attends meetings to support discussion of the performance and remuneration of executive directors but leaves before discussion of her own performance and remuneration occurs.

The Remuneration and Nominations Committee has a number of responsibilities including:

- Making recommendations to the OfS board on the terms and conditions of employment of the chief executive and the Director for Fair Access and Participation (DFAP) noting that some decisions are taken by the DfE
- To carry out an annual review of the remuneration of other directors and based on the recommendations of the chief executive, to make decision about changes to pay and levels of performance related pay involving the DfE as required
- To consider an annual report on the OfS's approach to staffing policy and organisational development, and to provide advice to the OfS chief executive and assurance to the board on staffing policy and organisational development
- To support the OfS chair, chief executive and the DfE in the consideration of succession planning requirements at board and executive level
- To provide assurance that the process for recruiting independent members to any OfS board or committee is open, fair and promotes equality of opportunity.

The full terms of reference for the committee are available on the OfS website.<sup>67</sup>

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<sup>67</sup> See [www.officeforstudents.org.uk/about/who-we-are/our-board-and-committees/](http://www.officeforstudents.org.uk/about/who-we-are/our-board-and-committees/)

## Remuneration arrangements

The chief executive's and the DFAP's salary and non-consolidated performance pay are determined by the Secretary of State for Education after considering proposals from the Remuneration and Nominations Committee.

The aim is to enable the OfS to recruit, retain and motivate talented and experienced people capable of fulfilling the responsibilities of these senior roles to the highest standards of excellence and best practice. Salary reviews (based on objectives) take account of market pay data and the government's decisions on the recommendations of the Senior Salaries Review Body. The level of non-consolidated performance pay (up to a maximum of £20,000 per annum for the chief executive and a maximum of 10 per cent of basic salary) relates to achievement of agreed objectives and is normally paid in the following financial year.

Working within the context of the annual Treasury pay guidance and pay remit process, the pay system for the other directors similarly aims to enable the OfS to recruit, retain, and motivate highly talented people to lead on specific areas in the OfS's strategic plan, and to work together with the chief executive and the DFAP to lead the organisation. The Remuneration and Nominations Committee carries out an annual review of the objectives, performance and delivery of senior post holders and considers proposals for remuneration of the other directors made by the chief executive and makes decisions about any subsequent changes to pay for the following year.

## Contracts

The length of the contract of employment for the chief executive and the DFAP is determined by the Secretary of State for Education. Nicola Dandridge CBE was appointed as chief executive for a four-year term which began in January 2018 and her contract stipulates a minimum of a six-month notice period.

Christopher Millward was appointed as the DFAP for a three-year term which began in January 2018 and his contract stipulates a minimum of a six-month notice period.

Contracts for all other directors are open-ended and their notice period is a minimum of six months.

## Membership of the board

The OfS board consists of the chair, the chief executive, the DFAP and at least seven and not more than 12 ordinary members. Ordinary members of the board (excluding the chief executive and the DFAP) are appointed on the basis of their expertise in promoting choice for consumers, managing a regulatory system, and robust financial control. At least one of the ordinary members must have experience of representing or promoting the interests of students in higher education. These appointments were made by the Secretary of State for Education following a selection process run by DfE in accordance with the Governance Code for Public Appointments. Ordinary members are eligible to receive an annual payment of £9,180 pro rata.

## Staff report

On the census date of 31 March 2019, the OfS employed 320 full-time equivalent staff; 350 headcount, 234 female and 116 male. Of the 14 board members listed in the Remuneration Report (excluding the chief executive, the DFAP and the chair), there were six men and eight women. Of the seven senior employees listed in the Remuneration Report, there were four men and three women.

We monitor sickness absence as an indicator of staff wellbeing. Our sickness absence remains relatively low. In 2018-2019 we lost 1,932 working days to sickness, an average of 5.5 days per person. The level compares favourably to an average 6 days for government public service bodies and 5.6 days for private sector services.<sup>68</sup>

We are committed to promoting diversity and equal opportunities in employment. Like many other organisations, we recognise the benefits of a diverse and well-motivated workforce, where all are treated fairly. Our intention is to reflect not only the letter but also the spirit of the Public Sector Equality Duty. More information can be found at on our website.<sup>69</sup>

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<sup>68</sup> CIPD Report 2018 (Health and well-being at work), available at [www.cipd.co.uk/Images/health-and-well-being-public-sector-summary\\_tcm18-41280.pdf](http://www.cipd.co.uk/Images/health-and-well-being-public-sector-summary_tcm18-41280.pdf) (PDF).

<sup>69</sup> See [www.officeforstudents.org.uk/about/equality-and-diversity/](http://www.officeforstudents.org.uk/about/equality-and-diversity/)

## Part two (audited)

### New organisation

The OfS became a legal entity on 1 January 2018 with a new chief executive, DFAP and board. The organisation became fully operational on 1 April 2018 when staff from the predecessor organisations transferred to the OfS.

### The OfS chair

Remuneration of the chair was decided by the DfE. The OfS chair receives a salary but does not participate in the organisation's pension scheme. The position is for two days per week. The total salary for the OfS chair, **Sir Michael Barber**, for the 15-month period of the year ended 31 March 2019, was £67,500 (current annual salary £54,000).

### The OfS board

All ordinary board members are eligible to receive an annual payment of £9,180 pro rata. The payment is non-pensionable. All members are paid the amount directly via payroll.

Board members remuneration <sup>a</sup>		15-month period ended 31 March 2019 (£)
<b>David Palfryman<sup>b</sup></b>	Term commenced 1 July 2017	12,315
<b>Gurpreet Dehal<sup>b</sup></b>	Term commenced 1 July 2017	12,315
<b>Kate Lander<sup>b</sup></b>	Term commenced 1 July 2017	12,315
<b>Martin Coleman<sup>b</sup></b>	Term commenced 1 July 2017	12,315
<b>Steven West<sup>b</sup></b>	Term commenced 1 July 2017	12,315
<b>Katja Hall</b>	Term commenced 1 January 2018	11,475
<b>Monisha Shah</b>	Term commenced 1 January 2018	11,475
<b>Simon Levine</b>	Term commenced 1 January 2018	11,475
<b>Ruth Carlson<sup>c</sup></b>	Term 1 January 2018 to 30 September 2018	9,180
<b>Carl Lygo<sup>b</sup></b>	Resigned 23 May 2018	4,665
<b>Martha Longdon</b>	Term commenced 1 October 2018	4,590
<b>Kathryn King</b>	Term commenced 1 February 2019	1,530
<b>Verity Hancock</b>	Term commenced 1 February 2019	1,530
<b>Elizabeth Fagan<sup>d</sup></b>	Term commenced 1 January 2018	-
<b>Total</b>		<b>117,495</b>

<sup>a</sup> Toby Young served from 1 January 2018 to 9 January 2018 and received no remuneration.

<sup>b</sup> Served on both HEFCE and the OfS shadow board from 1 July 2017. It was agreed that they would receive £9,180 for the period to 31 March 2018 for service on both boards. £5,000 was paid in full for HEFCE board membership. The remaining £4,180 was for the OfS board membership, pro-rated at

9/12. Steve West donated £3,135 to CAF (The Anchor Society). Carl Lygo resigned on 23 May 2018 but was paid to 31 May 2018.

<sup>c</sup> Although term ended on 30 September 2018 Ruth Carlson was contracted to 31 December 2018 so has received full payment up to this date.

<sup>d</sup> Declined to receive remuneration.

## The OfS chief executive

The chief executive's salary and non-consolidated performance bonus are determined by the Secretary of State for Education after considering proposals from the Remuneration Committee, as described above.

The total emoluments for the OfS chief executive, including taxable benefits, are shown in the following table. The chief executive received no non-consolidated bonus payment in the 15-month period to 31 March 2019.

	Salary paid	Taxable benefits	Pension benefit (nearest £1,000) <sup>^</sup>	Total
	2018-19	2018-19	2018-19	2018-19
<b>Nicola Dandridge CBE*</b>	£206,250	-	£79,000	£285,250

\*Current annual salary £165,000

## The Director for Fair Access and Participation

The DFAP's salary and non-consolidated performance bonus are determined by the Secretary of State for Education after considering proposals from the Remuneration Committee, as described above. The total emoluments for the DFAP, including taxable benefits, are shown in the following table. The DFAP received no non-consolidated bonus payment in the 15-month period to 31 March 2019.

	Salary paid	Taxable benefits	Pension benefit (nearest £1,000) <sup>^</sup>	Total
	2018-19	2018-19	2018-19	2018-19
<b>Christopher Millward*</b>	£163,800	-	£259,000	£422,800

\*Current annual salary £131,950

<sup>^</sup>Pension benefits are calculated from the employee's estimated accrued pension at pension age and any related lump sum. The value of pension benefits accrued during the year is calculated as: (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increase in pension and lump sum is the increase in value of accrued pension and lump sum over the accounting period. Pension benefits do not represent cash received by the employee or paid into a pension scheme on their behalf by the OfS.

## Senior employees

The remuneration shown in the table below includes salary and benefits in kind. Salary includes gross salary, overtime, reserved rights to London weighting or allowances, recruitment and retention allowances, and any taxable allowances or payments. The monetary value of benefits in kind covers any benefit provided by the employer and treated by HMRC as a taxable emolument. Unless stated otherwise all senior employees transferred from HEFCE and began employment with the OfS on 1 April 2018.

### Single total figure of remuneration for officials

	Salary (£000)	Bonus (£000)	Benefits in kind (nearest £100)	Pension benefit (£000)^	Total (£000)
	2018-19	2018-19	2018-19	2018-19	2018-19
<b>Yvonne Hawkins<sup>a</sup></b> Director of teaching excellence and student experience	95 - 100	-	-	37	135 - 140
<b>Susan Lapworth<sup>b</sup></b> Director of competition and registration	100 - 105	-	-	8	110 - 115
<b>Richard Puttock<sup>c</sup></b> Head of data, foresight and analysis	85 - 90	0 - 5	-	110	195 - 200
<b>Conor Ryan<sup>d</sup></b> Director of external relations	95 - 100	-	-	38	135 - 140
<b>Nolan Smith<sup>e</sup></b> Director of resources, finance and transformation	120 - 125	-	-	27	150 - 155

<sup>a</sup> includes responsibility allowance of £393.68

<sup>b</sup> includes responsibility allowance of £6,733.22

<sup>c</sup> includes responsibility allowance of £4,137.72

<sup>d</sup> annual salary £115,000

<sup>e</sup> includes responsibility allowance of £503.64

<sup>^</sup> see explanation on page 54

## Salary

### Senior employees' pensions

	Accrued pension at pension age as at 31 March 2019 and related lump sum	Real increase in pension and related lump sum at pension age	CETV* at 31 March 2019	CETV* at 1 January 2018 or start date	Real increase in CETV*
	£000	£000	£000	£000	£000
<b>Nicola Dandridge CBE<sup>a</sup></b> Chief executive					
Pension	0 - 5	2.5 - 5	71	-	53
Lump sum	-	-			
<b>Christopher Millward<sup>a</sup></b> Director for fair access and participation					
Pension	40 - 45	10 - 12.5	687	429	180
Lump sum	95 - 100	25 - 27.5			
<b>Nolan Smith<sup>a</sup></b> Director of resources, finance and transformation					
Pension	30 - 35	0 - 2.5	512	433	6
Lump sum	65 - 70	-			
<b>Yvonne Hawkins<sup>a</sup></b> Director of teaching excellence and student experience					
Pension	20 - 25	0 - 2.5	301	251	21
Lump sum	-	-			

	Accrued pension at pension age as at 31 March 2019 and related lump sum	Real increase in pension and related lump sum at pension age	CETV* at 31 March 2019	CETV* at 1 January 2018 or start date	Real increase in CETV*
	£000	£000	£000	£000	£000
<b>Susan Lapworth<sup>b</sup></b> Director of competition and registration					
Pension	20 - 25	0 - 2.5	442	407	16
Lump sum	60 - 65	0 - 2.5			
<b>Conor Ryan<sup>a</sup></b> Director of external relations					
Pension	0 - 5	0 - 2.5	30	-	23
Lump sum	-	-			
<b>Richard Puttock<sup>a</sup></b> Head of data, foresight and analysis					
Pension	25 - 30	5 - 7.5	455	328	75
Lump sum	60 - 65	10 - 12.5			

\*Cash equivalent transfer value

<sup>a</sup> Members of the Civil Service Pension Scheme

<sup>b</sup> Members of the Universities Superannuation Scheme

The OfS contributes to two pension schemes: the Principal Civil Service Pension Scheme (PCSPS) and the Universities Superannuation Scheme (USS). The USS is a multi-employer defined benefit pension scheme. The PCSPS is an unfunded multi-employer defined benefit scheme but the OfS is unable to identify its share of the underlying assets and liabilities. Further details on pensions are provided below.

## Staff costs

As part of central government's commitment to increase transparency and accountability, the OfS is reporting the median earnings of its workforce and the ratio between this and the earnings of its chief executive. The disclosure will also allow some comparability over time and across the public sector and private sector, where similar disclosures of chief executives' remuneration and pay multiples are made.

## Fair pay

The banded remuneration of the highest annual salary paid to a director (the chief executive) in the OfS, in the financial year 2018-19, was £165,000. This was 4.5 times the median remuneration of the workforce, which was £36,772. To allow meaningful comparison for this disclosure, the period used is 1 April 2018 to 31 March 2019. Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

In 2018-19 no employees received remuneration in excess of the highest paid director. Remuneration ranged from £15,255 to £165,000.

The table below shows analysis of staff costs and pension costs.

<b>Staff costs</b>	
<b>Period ended 31 March 2019</b>	
<b>£000</b>	
<b>Staff with a permanent UK employment contract with the OfS</b>	
Salaries	15,236
National Insurance contributions	1,513
Pension costs	3,004
	19,753
Costs of employing contract, agency and temporary staff	2,481
	<b>22,234</b>
<b>Pension costs breakdown</b>	
Civil Service pensions	2,900
Partnership pension	59
Universities Superannuation Scheme	45
	<b>3,004</b>

Salary includes gross salary, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, and any other allowance to the extent that it is subject to UK taxation. All eligible staff are considered for a non-consolidated performance-related payment related to individuals' performance against objectives. Annual settlements are awarded from 1 August each year and relate to individuals' performance from the previous financial year.

The OfS had 360 average full-time equivalent (FTE) staff numbers which includes 37 contractors. Full-time equivalents are classed as those staff who are employed on either permanent OfS contracts or fixed-term contracts and paid directly from the OfS payroll, including those on maternity leave. The staff numbers do not include any outward seconded staff. Although the FTE for the chair is excluded from the above staff numbers, his costs are included within staff costs.

As of 31 March 2019, there were no off-payroll engagements and no expenditure on consultancy.

## Pensions

Employers' contributions of £2,899,881 were payable to the PCSPS at one of four rates in the range 20.0 to 24.5 per cent of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account: a stakeholder pension with an employer contribution. Employers' contributions of £59,325 were paid to appointed stakeholder pension providers. Employer contributions are age-related and range from 8.0 to 14.75 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay and contribute a further 0.5 per cent of pensionable pay to PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of these employees.

Six members of staff hold a pension with USS. For 2018-19, employers' contributions of £45,094 were payable at a rate of 18 per cent. Employers may be required to contribute 2.1 per cent for employees who have elected for enhanced opt-out to retain death-in-service and incapacity benefits.

## Civil service pensions

Pension benefits are provided through civil service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65, if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPPS). The PCSPPS has four sections: three providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within ten years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between ten years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha**, as appropriate. Where the official has benefits in both the PCSPS and **alpha**, the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 4.6 per cent and 8.05 per cent for members of **classic**, **premium**, **classic plus**, **nuvos** and **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32 per cent. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8 per cent and 14.75 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill-health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the

figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the Civil Service Pensions Scheme website.<sup>70</sup>

### **Cash equivalent transfer values**

A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### **Real increase in CETV**

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

### **Universities Superannuation Scheme (USS)**

The USS is a multi-employer defined benefit scheme which publishes its own accounts and has its own assets and liabilities held in trust. The OfS is unable to identify its share of the underlying assets and liabilities of this scheme on a consistent and reasonable basis. USS members pay contributions of eight per cent of pensionable earnings. The rate of employers' contributions is 18 per cent. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the USS pays a lump sum benefit of three times pensionable pay. Employees who have elected for enhanced opt out to retain death-in-service and incapacity benefits, contribute 2.5 per cent of pensionable earnings and employers contribute 2.1 per cent.

In accordance with HM Treasury guidance, the OfS has accounted for USS pensions as if they were defined contribution schemes.

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<sup>70</sup> See [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

## Voluntary exit payments

The table below shows the number of exit payments agreed in 2018-19 by banding. As of 31 March 2019, 14 exit payments were made with a total value of £645,787 following approval from the Cabinet Office. These exit payments have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972.

Voluntary exit payments	
Cost band (£000)	Total number of exit packages
<10,000	1
10,000-25,000	5
25,000-50,000	2
50,000-100,000	6

## Trade union facilities time (unaudited)

In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, which came into force on 1 April 2017, the OfS is required to report the following facility time information. During 2018-19 there were eight employees who were union officials (full-time equivalent of 7.4). These employees spent between 0.4 and 12.6 per cent of their working hours on facility time. The total cost of this facility time was £19,527, which represents 0.09 per cent of the total staff costs of £22.2 million. The facility time was all spent on paid trade union activities.

# **Parliamentary accountability and audit report**

**(Audited)**

## **Contingent liabilities**

The OfS has no contingent liabilities that need to be disclosed under Parliamentary Reporting requirements.

## **Losses**

During 2018-19 there have been no losses, special payments or gifts.

Nicola Dandridge CBE  
Chief Executive and Accounting Officer  
Office for Students  
18 June 2019

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

## Opinion on financial statements

I certify that I have audited the financial statements of the Office for Students for the 15-month period ended 31 March 2019 under the Higher Education and Research Act 2017. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Office for Students' affairs as at 31 March 2019 and of net expenditure for the 15-month period then ended; and
- the financial statements have been properly prepared in accordance with the Higher Education and Research Act 2017 and Secretary of State directions issued thereunder.

## Opinion on regularity

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

## Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Office for Students in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis of my opinion.

## **Conclusions relating to going concern**

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Office for Students' ability to continue as a going concern for a period of at least 12 months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

## **Responsibilities of the board and accounting officer for the financial statements**

As explained more fully in the 'Statement of Accounting Officer's responsibilities', the board and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

## **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit, certify and report on the financial statements in accordance with the Higher Education and Research Act 2017.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office for Students' internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### **Other information**

The board and the Accounting Officer are responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### **Opinion on other matters**

In my opinion:

- the parts of the Accountability report to be audited have been properly prepared in accordance with Secretary of State directions made under the Higher Education and Research Act 2017;
- in the light of the knowledge and understanding of the Office for Students and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance report or the Accountability report; 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 returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report 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.

**Gareth Davies**

27 June 2019

Comptroller and Auditor General  
NAO  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP



# Financial statements

The background of the slide is a solid light yellow color. It features several overlapping, semi-transparent geometric shapes in a slightly darker shade of yellow and orange. These shapes include rectangles, triangles, and trapezoids, some of which are oriented diagonally, creating a layered, architectural effect.

## Statement of comprehensive net expenditure for the period ended 31 March 2019

	<i>Note</i>	<b>15-month period ended 31 March 2019 £000</b>
<b>Income</b>	<b>5</b>	<b>(1,756)</b>
Staff costs	3	22,234
Non-pay administration costs	4	7,771
Depreciation	6	86
Institutional recurrent funding	2	1,116,387
Funding for national facilities and initiatives	2	121,717
Capital funding	2	162,863
Other government allocations	2	13,389
Changes in provision	11	324
<b>Total operating expenditure</b>		<b>1,444,771</b>
<b>Net operating expenditure</b>		<b>1,443,015</b>
<b>Other comprehensive net expenditure</b>		
Operating gain through transfer from HEFCE and OFFA	14	<b>(30,591)</b>
<b>Comprehensive net expenditure for the period transferred to general reserve</b>		<b>1,412,424</b>

The notes on pages 74 to 92 form part of these accounts.

## Statement of financial position as at 31 March 2019

	<i>Note</i>	<b>As at 31 March 2019 £000</b>
<b>Non-current assets</b>		
Property, plant and equipment	6	213
Recoverable grants falling due after one year	8a	9,501
		<b>9,714</b>
<b>Current assets</b>		
Recoverable grants falling due within one year	8a	9,338
Trade and other receivables due within one year	8b	4,414
Cash and cash equivalents	9	7,570
		<b>21,322</b>
<b>Total assets</b>		<b>31,036</b>
<b>Current liabilities</b>		
Trade and other payables	10	(12,857)
Provisions for liabilities and charges within one year	11	0
<b>Total assets less current liabilities</b>		<b>18,179</b>
<b>Non-current liabilities</b>		
Provisions for liabilities and charges after one year	11	(324)
<b>Total assets less liabilities</b>		<b>17,855</b>
<b>Taxpayers' equity</b>		
General reserve		17,855
		<b>17,855</b>

The financial statements on pages 70 to 73 were approved by the Board and were signed on its behalf on 18 June 2019 by:

Nicola Dandridge CBE  
*Chief Executive and Accounting Officer*

## Statement of cashflows for the period ended 31 March 2019

	Note	31 March 2019 £000
<b>Cashflows from operating activities</b>		
Net operating expenditure		(1,443,015)
Adjustment for non-cash transactions	6	86
Increase in receivables on transfer from HEFCE and OFFA	14	(5,041)
Increase in recoverable grants on transfer from HEFCE	14	(31,651)
Decrease in receivables and recoverable grants	8a, 8b	13,439
Increase in payables on transfer from HEFCE and OFFA	14	12,569
Increase in payables to co-funding partner	10, 14	288
Use of provisions	11	324
<b>Net cash outflow from operating activities</b>		<b>(1,453,001)</b>
<b>Cashflows from investing activities</b>		
Property, plant and equipment transfer from HEFCE	6	(299)
<b>Net cashflow from investing activities</b>		<b>(299)</b>
<b>Cashflows from financing activities</b>		
Grants from government department		1,430,279
Gain on transfer		30,591
<b>Net cashflow from financing activities</b>		<b>1,460,870</b>
Net increase in cash for the period		<b>7,570</b>
<b>Net financing</b>		
Cash and cash equivalents at the beginning of the period	9	0
Transfer from HEFCE and OFFA	14	6,169
Net increase in cash and cash equivalents in the period	9	1,401
<b>Cash and cash equivalents at the end of the period</b>		<b>7,570</b>

The notes on pages 74 to 92 form part of these accounts.

## Statement of changes in taxpayers' equity for the period ended 31 March 2019

	Note	Total Reserves £000
<b>Changes in taxpayers' equity 2018-19</b>		
Balance as at 1 January 2018		0
Grant from sponsoring department		1,430,279
Comprehensive net expenditure for the period		(1,412,424)
<b>Balance as at 31 March 2019</b>		<b>17,855</b>

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### General reserve

This reserve consists of programme and administration funding (grant and grant in aid) from the DfE, and the net expenditure relating to programme and administration costs.

## **1.1 Basis of accounting**

As set out in the statutory accounts direction, the OfS has prepared 15 month accounts for the period ended 31 March 2019, and will thereafter prepare annually for all subsequent financial years to 31 March. These financial statements have been prepared in accordance with the 2018-19 Government Financial Reporting Manual (FReM) issued by HM Treasury (HMT), as set out in the statutory accounts direction given by the Secretary of State, with the consent of HM Treasury and in accordance with the Higher Education and Research Act 2017. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRSs) 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 most appropriate to the particular circumstances of the OfS for the purpose of giving a true and fair view has been selected. The particular policies adopted by the OfS for 2018-19 are described below. They have been applied consistently in dealing with items that are considered material to the accounts. As this is the first accounting period for the OfS there are no comparative disclosures.

The passage into law of the Higher Education and Research Act 2017 resulted in the closure of HEFCE and OFFA on 31 March 2018. A transfer order was put in place at midnight on this date which transferred the remaining net liabilities from HEFCE and OFFA to the Secretary of State for Education and then directly onto either of two public bodies. These were the Office for Students (OfS), sponsored by the Department for Education (DfE) or Research England (RE). This has been accounted for as a 'transfer by absorption'. Further details are given in Note 14.

## **1.2 Accounting convention**

The accounts are prepared under the historical cost convention. The currency used to prepare the accounts is sterling and is rounded to the nearest £1,000.

## **1.3 Adoption of FReM amendments**

The OfS has adopted IFRS9 and IFRS15 in full which has had no material impact on the financial statements. There have been no other significant FReM changes in 2018-19.

## **1.4 Early adoption**

The OfS has not adopted any accounting standards early in 2018-19.

## **1.5 Going concern**

The departmental group's estimates and forward plans include provision for the OfS's continuation and it is therefore appropriate to prepare these accounts on a going concern basis.

## **1.6 Financial instruments**

IFRS 7, IFRS9 and International Accounting Standards (IAS) 32 requires 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 exposure. As a non-departmental public body (NDPB) funded by the government, the OfS is not exposed to any liquidity or interest rate risks. The OfS has no overseas operations and does not operate any foreign currency bank accounts. It is not subject to any foreign currency, credit or market risks.

Assets and liabilities that meet the definition of financial instruments are accounted for under IAS 32, IFRS 9 and IFRS 7. Trade receivables and payables are measured at cost on the basis that this is a reasonable approximation of fair value.

During the course of its business, the OfS may on occasion make loans to higher education institutions. These are disclosed in Note 8a. The loan cost has been used as a reasonable estimate of amortised cost as the discounted cash flows would not be materially different.

## **1.7 Grants from the Department for Education (DfE)**

All grant in aid from the DfE is treated as financing as it is a contribution from controlling parties giving rise to a financial interest. The OfS records grant in aid as financing in the statement of cash flows and to the general reserve. Grants are not classified as financing because they are subject to conditions such that non-compliance with grant terms would result in the grant being repaid.

## **1.8 Operating income**

Operating income is income which relates directly to the operating activities of the OfS.

## **1.9 Joint initiatives and national programmes which benefit the higher education sector in the UK**

For those joint activities that meet the definition of jointly owned operations under IFRS 11, the OfS is required to show only its share of the income and expenditure within these accounts.

## **1.10 Leases**

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership of the leased assets to the lessee. Other leases are classified as operating leases. Operating leases are charged to the Statement of comprehensive net expenditure (SOCNE) as expenditure is incurred.

## **1.11 Non-current assets**

Property, plant and equipment are capitalised where the costs for an individual asset, or group of functionally interdependent assets, exceeds £10,000. On initial recognition assets are measured at cost including all direct costs attributable to bringing the assets into working condition. Given the assets' short life and low value, depreciated historic cost is used as a proxy for fair value.

## **1.12 Depreciation**

Depreciation is provided at rates calculated to write off the cost or valuation of each asset by equal instalments over their expected useful lives as follows:

- Leasehold improvements – 10 years or the lease term, whichever is shorter
- Furniture and fittings – five years
- Office equipment – four years
- Information technology equipment – three years.

### **1.13 Payment of grants**

Grants are recognised at the payment dates agreed with the organisations concerned. Most grants are paid on agreed profiles, which are set to reimburse the grant recipients based on the expected profile of expenditure. The profiles are periodically updated throughout the academic year and therefore no financial year end accruals are expected for these streams of expenditure.

The following are exceptions to this:

- Holdback of institutional basic grant arising from revised student numbers, where a debt arises at the point where there is sufficient certainty on the revised numbers, and future profile payments will be adjusted where there is sufficient certainty over the value of the resulting funding adjustment. Sufficient certainty is when the OfS chief executive approves the funding adjustment. These adjustments could result in a net receivable or payable balance at year end.
- The grant funding pot is based on an estimated student number control and up to 2015-16 academic year institutions were encouraged not to over-recruit. If an institution over-recruited the OfS will seek to implement grant reductions, on instructions from the DfE. The grant reductions are implemented at the point where there is sufficient certainty over the value of the funding adjustment. Sufficient certainty is where the OfS chief executive approves the funding adjustment. Any funding which is recovered through this route may be recycled to the sector or returned to the DfE. If the OfS is permitted to keep funding, this creates a debtor.

### **1.14 Pensions**

OfS employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). This is a multi-employer defined benefit scheme treated for accounting purposes, in accordance with the FReM, as a defined contribution scheme. Prior to joining the OfS some staff transferred to HEFCE from universities and are covered by the provisions of the Universities Superannuation Scheme (USS), which is also a defined benefit scheme treated for accounting purposes as a defined contribution scheme. These schemes are described in more detail in the remuneration and staff report.

### **1.15 Provisions for liabilities and charges**

The OfS makes a provision in the accounts where the following criteria are met in accordance with IAS 37: Provisions, contingent liabilities and contingent assets:

- A legal or constructive obligation exists will result in the transfer of economic benefit
- The transfer is probable
- A reliable estimate can be made.

## **1.16 Taxation**

The OfS's income generating activities are not intended to produce surpluses, and therefore considered as not liable for corporation tax. Most of the OfS's activities are outside the scope of VAT. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of property, plant and equipment.

## **1.17 IFRS issued but not yet effective**

In order to comply with the requirements of IAS 8: Accounting policies, changes in accounting estimates and errors, the OfS must disclose details of any IFRS that has been issued but is not yet effective. The OfS has carried out a review of the following IFRSs in issue but not yet effective and found that none of the updates have any material impact on the 2018-19 accounts:

- IFRS 16 – Leases – effective date, periods starting after 1 January 2019. Based on the amounts payable under the current operating leases, we do not expect the impact of IFRS 16 to be material.

This standard has been issued but is not yet effective or endorsed by the EU or incorporated into the FReM.

## 1a Significant judgements

The preparation of these accounts requires management to make certain judgements, estimates and assumptions that affect the application of policies and reported amounts of income, expenditure, assets and liabilities. Management has specifically made such judgements on:

### 1a.1 Recovery of grants

The OfS's policy is to recognise grant adjustments as debts only when there is sufficient certainty of recovery. Recovery is made through adjustments to institutions' future grant funding. Further details are given in Note 1.13.

The OfS has the powers under the Higher Education and Research act 2017 to determine amounts of grant to recover from institutions where the terms and conditions of grant have not been met. In exercising these powers the OfS may in some cases decide not to seek recoveries from institutions for periods prior to a certain year. In such cases the decision is taken on an individual based with due regard to the circumstances giving rise to a potential recovery.

## 2 Analysis of recurrent and non recurrent grant expenditure

	Period ended 31 March 2019 £000
Teaching funding <sup>a</sup>	1,116,387
Funding for national facilities and regulatory initiatives <sup>b</sup>	121,717
Capital funding <sup>c</sup>	162,863
Other government allocations <sup>d</sup>	13,389
<b>Total grant</b>	<b>1,414,356</b>

This analysis of grant expenditure is consistent with the presentation in the Guide to funding 2018-19, available to view at [www.officeforstudents.org.uk/publications/guide-to-funding-2018-19/](http://www.officeforstudents.org.uk/publications/guide-to-funding-2018-19/)

This analysis includes grants paid and £17.1m of related programme expenditure but excludes amounts spent on staffing costs.

The Board certifies that government grants have been used by the OfS only for approved purposes.

- a **Teaching funding** - formula grant paid to specific higher education providers to support their teaching activities. This funding is not meant to fully meet the cost of these activities, as this primarily comes from tuition fees. Instead, our funding is prioritised to support areas where teaching costs are particularly high, or to support particular policy priorities.
- b **Funding for national facilities and regulatory initiatives** - a portion of our recurrent funding is reallocated to meet the directions in our guidance letter. This is provided for specific purposes and to promote change that cannot easily be achieved through other routes.
- c **Capital funding** - allocations of capital funding are provided to enhance the learning experience of higher education students at providers, by helping raise the quality of their learning and teaching facilities.
- d **Other government allocations** - this relates to grant administered on behalf of the Government and covers programmes such as the Institute of Coding. The OfS distributes this funding, which is granted by the DfE for specific purposes.

### 3 Staff costs

Staff costs are analysed in the Remuneration and staff report on page 50.

	Period ended 31 March 2019 £000
<b>Staff with a permanent UK employment contract with the OfS</b>	
Salaries	15,236
National insurance	1,513
Pension costs	3,004
<b>Total</b>	<b>19,753</b>
Cost of employing contract, agency and temporary staff	2,481
<b>Total staff costs</b>	<b>22,234</b>

### 4 Other administration costs

	Period ended 31 March 2019 £000
<b>Non-pay administration costs</b>	
Staff-related and general administrative expenditure	1,916
Rental payments under other operating leases	1,272
Premises costs	1,349
Office costs	1,821
Board and committee members' fees and expenses	180
Audit fee	76
Rental payments under plant and machinery operating leases	28
Professional services	1,129
<b>Total non-pay administration costs</b>	<b>7,771</b>

The analysis of expenditure shown above reflects the in-year management accounting process whereby the OfS monitors and reports on its administration costs. Staff-related and general administrative expenditure includes costs of recruitment, training and staff travel.

Premises costs include expenditure on rates, heat and light, building maintenance, equipment and furniture.

Office costs include IT costs, stationery, postage, catering and hospitality and minor office equipment costs.

## 5 Income

	15-month period ended 31 March 2019 £000
Income from joint initiatives and national programmes	867
Service level agreement income	649
Rental income	144
Income from other activities	96
<b>Total income</b>	<b>1,756</b>

The OfS receives income from UK funding councils and associated organisations in respect of agreed contributions towards joint initiatives and national programmes. These initiatives and national programmes do not meet the definition of joint operations under IFRS 11 and are therefore shown above. Income includes a contribution towards the OfS's costs of managing and administering these programmes.

We provide a range of services under service level agreements to UKRI, Student Loans Company and the Department for the Economy Northern Ireland which includes facilities management and quality assurance.

## 6 Property, plant and equipment

	Leasehold improvements £000	Furniture, fittings and equipment £000	Information technology £000	Total £000
<b>Cost or valuation</b>				
At 1 January 2018	0	0	0	0
Transfer from HEFCE and OFFA	465	116	124	705
Additions	0	0	0	0
Disposals	0	0	0	0
At 31 March 2019	<u>465</u>	<u>116</u>	<u>124</u>	<u>705</u>
<b>Depreciation</b>				
At 1 January 2018	0	0	0	0
Transfer from HEFCE and OFFA	199	116	91	406
Charge for period	66	0	20	86
Additions	0	0	0	0
Disposals	0	0	0	0
At 31 March 2019	<u>265</u>	<u>116</u>	<u>111</u>	<u>492</u>
<b>Net book value</b>				
At 31 March 2019	<u>200</u>	<u>0</u>	<u>13</u>	<u>213</u>

This note shows the capitalised value of the OfS's property, plant and equipment. The OfS's office premises in Bristol and London are rented under operating leases and are disclosed in Note 12.

## 7 Financial instruments

As the cash requirements of the OfS are met through the grant in aid from the sponsor department, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the OfS's expected purchase and usage requirements and the OfS is therefore exposed to little credit, liquidity or market risk.

During the course of its business, the OfS may on occasion make loans to higher education providers. These are disclosed in Note 8a. The OfS does not consider there to be a risk with these loans as repayments are deducted from future funding at source.

## 8a Recoverable grants

	Period ended 31 March 2019 £000
<b>Recoverable grants</b>	
Balances as at 1 January 2018	0
Transfer from HEFCE	31,651
Advanced during the year	0
Recovered during the year	(12,812)
Balances as at 31 March 2019	<u>18,839</u>
<b>Balances at 31 March</b>	
Within one year	9,338
After one year	9,501
	<u>18,839</u>

All recoverable grants were transferred from HEFCE on 1 April 2018. They are funds granted to providers on an individual basis to support the initial costs of specific projects, which are normally recovered via an adjustment to their future funding. It has been agreed with the DfE that the recoverable grants should be accounted for as loans to ensure consistency of reporting across the departmental group. These recoverable grants are provided within the total budgets of the following programmes:

Revolving Green Fund  
Strategic Development Fund  
Employer Engagement

Recoverable grants are treated as financial instruments and are non-interest bearing. The loan cost has been used as a reasonable estimate of the amortised cost of recoverable grants as the discounted cashflows would not be materially different. Recoverable grants are only provided for projects which meet the criteria for the particular programme. Amounts provided are within the total funding for the programme approved by the board. Recoverable grants are normally for three to five years, but can be made for up to 10 years.

As at 31 March 2019, two organisations had outstanding recoverable grants of £1,000,000 or more. The total value of these grants was £2,080,000.

Also included in recoverable grants are amounts for the recovery of grant funding due from providers. This relates to adjustments to payment of grant funding to higher education providers (non-government bodies) where student numbers fall outside a standard percentage threshold, arising through data audits or reconciliations.

## 8a Recoverable grants (continued)

The OfS's policy is to recognise such recoverable amounts as debts only when there is sufficient certainty of recovery. Recovery is made through adjustments to institutions' future grant funding or via other means. Discussions around data and recovery of grant funding happen on a continuous basis as a result of the data collection and audit programmes that run each year. Consequently, at year end, there may be continuing data audits or investigations where the outcomes, and any potential holdback, are not yet certain. Such amounts are not included within the above balances.

## 8b Trade and other receivables

	Period ended 31 March 2019 £000
<b>Receivables due within one year</b>	
Programme prepayments	3,377
Programme receivables	557
Trade prepayments	432
Trade and other receivables	48
<b>Total receivables</b>	<b>4,414</b>
<b>Intra-government balances</b>	
Other central government bodies	585
Local authorities	0
NHS Trusts	1
Balances with other government bodies	586
Balances with non-government bodies	3,828
<b>Total as per receivables note</b>	<b>4,414</b>

**Programme prepayments:** Formula funding allocations are driven by student numbers and the OfS performs twice yearly data audits to ensure that allocations are robust. Where there is a material variance between planned and actual student numbers we may make in-year grant adjustments. We recover any overpayments by reducing future instalments and any data audit impacts for the academic year that are outstanding at the end of the financial year are accounted for as a programme prepayments.

**Programme receivables:** These include contributions to national initiatives due from UK higher education funding councils for contributions to the OfS's administration costs for managing and administering these initiatives.

## 9 Cash and cash equivalents

	Period ended 31 March 2019 £000
<b>Cash held under Government Banking Service</b>	
Balance as at 1 January 2018	0
Transfer from HEFCE and OFFA (see Note 14)	6,169
Net change in cash and cash equivalent balances	1,401
<b>Balance as at 31 March 2019</b>	<b>7,570</b>
<b>Total cash and cash equivalents</b>	<b>7,570</b>

The framework document between the OfS and the DfE advises a minimum working balance consistent with the efficient operation of the OfS. The OfS's balances relate to timing differences in the payment of expenditure committed in the 2018-19 academic year.

The OfS banks with the Government Banking Services (GBS). This is a government-wide banking service provided by Royal Bank of Scotland and overseen centrally by the GBS team, ultimately controlled by HM Treasury. The OfS does not earn any interest on any balances held in GBS accounts.

The OfS has no cash held at commercial banks.

## 10 Trade and other payables

	Period ended 31 March 2019 £000
<b>Amounts falling due within one year</b>	
Trade payables	161
Administration accruals	2,253
Tax and social security	926
Programme payables	3,076
Reimbursement to co-funding partner	2,190
	<b>8,606</b>
<b>Amounts falling due after one year</b>	
Reimbursement to co-funding partner	4,251
	<b>4,251</b>
<b>Total payables</b>	<b>12,857</b>
<b>Intra-government balances</b>	
Other central government bodies	926
Balances with non-government bodies	11,931
<b>Total as per payables notes</b>	<b>12,857</b>

'Trade payables' refers to non-pay administration expenditure.

'Administration accruals' contains staff annual leave accrual which is included to reflect the requirements of IAS 19.

The tax and social security payable includes amounts due to HMRC in arrears for NI, PAYE and VAT.

'Programme payables' include claims received but not yet paid due to any delays in authorisation and/or the timing of OfS payment runs, or relate to invoices not yet received.

'Reimbursement to a co-funding partner' relates to funding repayable to Salix. Salix is an independent, publicly funded finance company that provides the public sector with loans for energy efficiency projects.

## 11 Provisions for liabilities and charges

	Period ended 31 March 2019 £000
Balance at 1 January 2018	0
Provision utilised in year	0
Increase in provision	324
Balance as at 31 March	<u>324</u>
<b>Balances at 31 March</b>	
Within one year	0
After one year	324
	<u>324</u>

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The provision is for dilapidations for the buildings noted in Note 12.

## 12 Commitments under leases

	Period ended 31 March 2019 £000
<b>Obligations under operating leases comprise:</b>	
<b>Buildings</b>	
Not later than one year	1,250
More than one year and not later than five years	3,597
	4,847
<b>Other</b>	
Not later than one year	4
	4

The OfS's leases do not transfer the risks and rewards incidental to ownership of an asset to the OfS, and as such are classified as operating leases.

The OfS leases its office buildings in Bristol and London. The OfS's lease on its offices at Finlaison House in London is on a rolling one year arrangement. To exit this arrangement, the OfS is required to provide one full financial year's notice. The OfS's lease on its offices in Bristol (Nicholson, Westward and Dominions Houses) either expire or have a break clause on 31 January 2023.

Operating leases shown in the 'Other' category relate to the rental of office equipment.

## 13 Financial commitments and contingent liabilities

	Period ended 31 March 2019 £000
<b>Commitments</b>	
Grant committed for the period April to July 2019	450,947
Grant committed for the next academic year August to July 2020	1,449,000

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The OfS has no commitments under non-cancellable contracts.

Recurrent expenditure for institutions is approved by the OfS Board on an academic year basis (1 August to 31 July).

Grant funding to the higher education sector for the forthcoming academic year (commencing 1 August) is announced by the OfS each spring. The publication detailing the 2019-20 academic year is called 'Guide to funding for 2019-20' and is available on the OfS's website at: [www.officeforstudents.org.uk/publications/guide-to-funding-2019-20](http://www.officeforstudents.org.uk/publications/guide-to-funding-2019-20)

As at 31 March 2019 there were no contingent liabilities.

## 14 Transfer from HEFCE and OFFA

The passage into law of the Higher Education and Research Act 2017 resulted in the closure of HEFCE and OFFA on 31 March 2018. A transfer order was put in place at midnight on this date which transferred the remaining net liabilities from HEFCE and OFFA to the Secretary of State for Education and then directly onto either the OfS or Research England.

The existing assets, liabilities and staff of HEFCE and OFFA have been transferred between these entities in a practical way which reflects the service that each body will provide. Teaching and associated services to be provided by the OfS.

The balances have been transferred by absorption and the effect on the financial statements is shown below.

	As at 1 April 2018 £000
<b>HEFCE</b>	
Property, plant and equipment	299
Recoverable grants	31,651
Trade and other receivables	5,024
Cash and cash equivalents	5,979
Trade and other payables	(12,407)
Provisions for liabilities and charges	0
	<b>30,546</b>
<b>OFFA</b>	
Trade and other receivables	17
Cash and cash equivalents	190
Trade and other payables	(162)
	<b>45</b>
<b>Total transfer to the OfS</b>	<b>30,591</b>

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This represents a breakdown of the amounts transferred by absorption to the OfS from HEFCE and OFFA.

## 15 Related party transactions

The OfS is an independent public body which during the year was sponsored by the DfE. The DfE and other DfE sponsored bodies, such as the Student Loans Company, are regarded as related parties with which the OfS has had various material transactions during the year.

In addition, the OfS has had a small number of transactions with other government departments and other central government bodies (such as the Scottish Funding Council, the Higher Education Funding Council for Wales, the Department for the Economy in Northern Ireland).

No board member or senior manager has undertaken any material transactions with the OfS during the year.

The following table provides details of material transactions with organisations which are deemed related parties by virtue of OfS board members, committee members or senior management holding a key position at those organisations. These payments are at arm's length and part of the normal course of the OfS's business.

	<b>15-month period ended 31 March 2019 £000</b>
<b>Financial transactions with institutions and other organisations</b>	
Margaret Monckton (Risk and Audit Committee member): The University of Nottingham, Chief Financial Officer	<b>30,614</b>
Professor Mary Bishop (Quality Assessment Committee member): The University of Bristol, Co-opted member of the Audit Committee	<b>29,127</b>
Professor Steve West CBE (board member): The University of the West of England, CEO and President	<b>12,181</b>
Martin Coleman (board member): The University of Kent, Member of Council	<b>11,881</b>
Professor Amanda Chetwynd (Quality Assessment Committee member): The University of Lancaster, Provost for Student Experience, Colleges and the Library	<b>7,644</b>
Monisha Shah (board member): Rose Bruford College of Theatre and Performance, Chair	<b>905</b>
Professor Steve West CBE (board member): Leadership Foundation for HE, board member	<b>153</b>
Verity Hancock (board member): Leicester College, CEO and Principal	<b>469</b>
Verity Hancock (board member): Student Loans Company, Chair, Advanced Learner Loans Stakeholder Group	<b>(150)</b>

There are no outstanding balances with these parties as at 31 March 2019.

The OfS has had no material transactions with companies whose directors are closely associated with it. In this context 'closely associated' refers to board members, committee members, or directors. These individuals may have other relationships through family members who are employees or students in institutions funded by the OfS, or through membership of governing bodies. Details of relationships are held in the OfS's register of interests and are available on our website at:

[www.officeforstudents.org.uk/about/who-we-are/our-board-and-committees](http://www.officeforstudents.org.uk/about/who-we-are/our-board-and-committees)

## 16 Events after the reporting period

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Audit Certificate and Report of the Comptroller and Auditor General.

As at the date of the Audit Certificate, no reportable events had occurred.

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