

Office for  
Students



# Annual report and accounts 2019-20

June 2020

HC 345

# **The Office for Students**

## **Annual report and accounts 2019-20**

Presented to Parliament pursuant to schedule 1, paragraph 13 of the Higher  
Education and Research Act 2017

Ordered by the House of Commons to be printed 4th June 2020

HC 345



**© Office for Students copyright 2020**

The text of this document (this excludes, where present, the Royal Arms and all departmental or agency logos) may be reproduced free of charge in any format or medium provided that it is reproduced accurately and not in a misleading context.

The material must be acknowledged as Office for Students copyright and the document title specified. Where third party material has been identified, permission from the respective copyright holder must be sought.

Any enquiries related to this publication should be sent to us at  
[info@officeforstudents.org.uk](mailto:info@officeforstudents.org.uk).

This publication is available at <https://www.gov.uk/government/publications>

ISBN 978-1-5286-1907-3

CCS0320271432 06/20

Printed on paper containing 75% recycled fibre content minimum

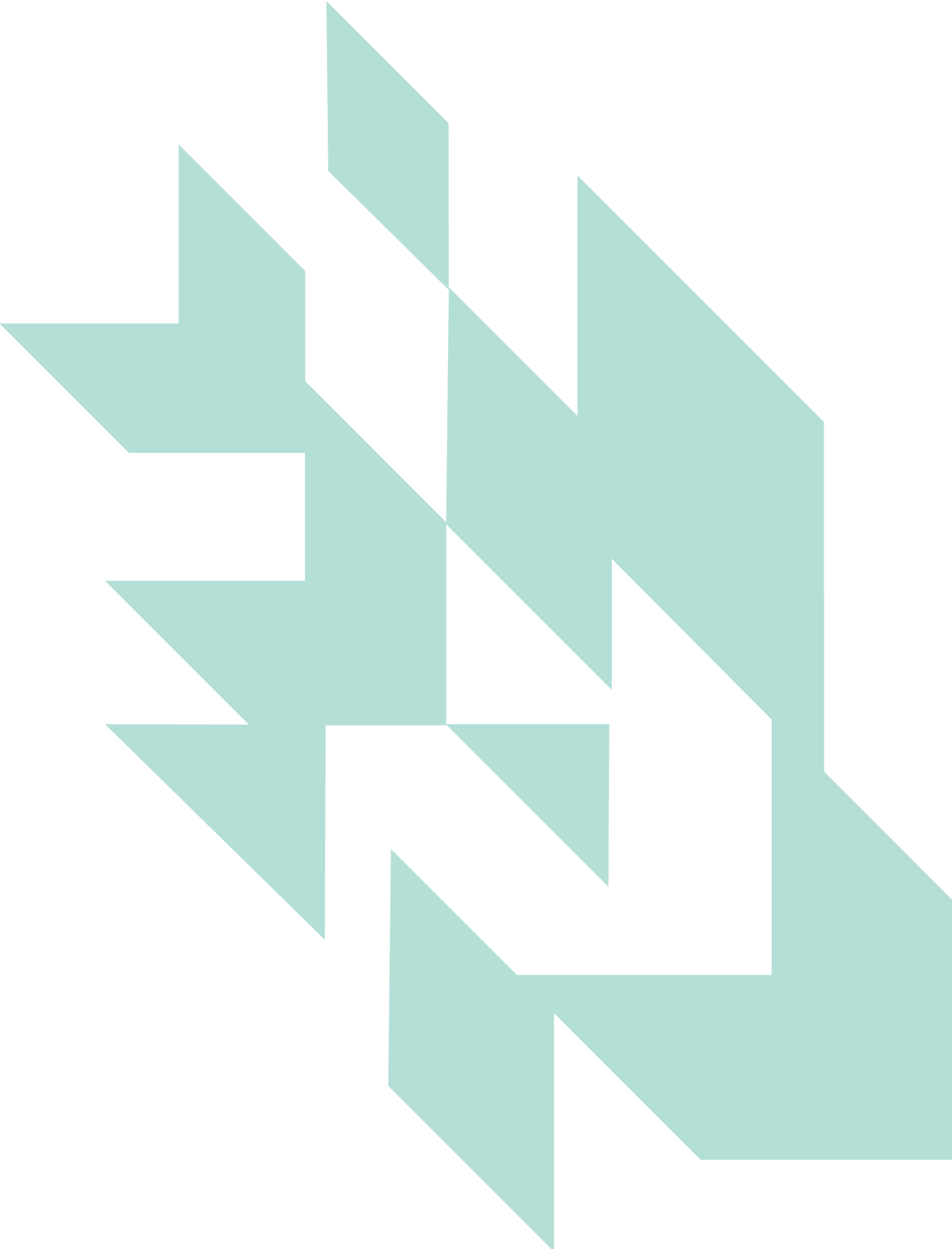
# The Office for Students

## Annual report and accounts 2019-20

### Contents

<b>Performance report</b> .....	<b>2</b>
Chair’s foreword.....	3
<b>Overview</b> .....	<b>5</b>
Introduction from the OfS’s chief executive .....	5
About us .....	7
How we are organised .....	10
Measuring and reporting our progress .....	10
Our approach to risk management.....	10
<b>Performance summary</b> .....	<b>12</b>
Regulating in the student interest.....	12
Participation.....	16
Experience.....	22
Outcomes .....	28
Value for money.....	32
Corporate performance.....	35
<b>Performance analysis</b> .....	<b>46</b>
<b>Sustainability report</b> .....	<b>53</b>
<b>Accountability report</b> .....	<b>57</b>
Corporate governance report.....	58
Remuneration and staff report .....	78
Parliamentary accountability and audit report (audited) .....	91
The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament .....	92
<b>Financial statements</b> .....	<b>97</b>

# Performance report



## Chair's foreword

In these most uncertain of times we can still be sure that England's higher education sector deserves and retains its world class status. We have a diverse, innovative and enterprising sector with high-quality teaching, world-leading research and students who recognise the impact that their efforts will have both on their own lives and society as a whole. From universities which have stood for hundreds of years, through to new providers equipping students with the skills they need to succeed in the world of work, there is much to take pride in, not least the work universities and other higher education providers are doing to respond to coronavirus (COVID-19). The pandemic has changed every area of our lives beyond recognition.



The impact of the virus on higher education providers has been significant. The OfS has sought to respond to that in a way which is constructive and helpful to universities and colleges all the while keeping the interests of students at the forefront of our thinking. We have radically altered, for a temporary period, our regulatory reporting requirements to take account of the crisis, reducing reportable event notifications, pausing consultations and sharpening our focus on the issues which are fundamental to the interests of students and the health of our higher education sector. We have been and will continue to work closely with government, sector and student bodies, and the devolved administrations, to respond to the immediate and long-term issues the pandemic has caused.

My role as chair of the Office for Students is primarily to ensure that English higher education works in the interests of students. We do this in a number of ways, as are set out in this report, but fundamentally we exist to ensure that every student – whatever their background, and more than ever in these times of crisis – has a fulfilling experience of higher education that enriches their lives and careers. I know from my visits to universities, colleges and other higher education providers across the country that many higher education providers are helping students from all backgrounds not just to enter higher education but also to succeed in their studies and leave with broader horizons and a degree which will stand the test of time.

Despite this there is of course room for improvement, and the Office for Students will continue to advocate changes and improvements that are in the interests of students. That is why, in spite of the coronavirus crisis, we are not reducing the priority we attach to access and participation. To do so would be to betray the interests of the many thousands of prospective and current students from disadvantaged backgrounds who have the potential to use higher education as a springboard to success. Earlier in the operating year we agreed a set of access and participation plans which will make real inroads into ensuring that students from all backgrounds can get in to higher education, succeed while there, and achieve in employment or further study when they leave.

If universities meet their obligations in this area, we will see an extra 6,500 students from disadvantaged backgrounds entering the most selective universities every year from 2025 onwards. Progress is promised too on closing the gap in attainment between students from different backgrounds, ensuring that all students can get the most from their studies. These targets took tough negotiation, but they were the right thing to do. Accelerating the progress of change in this area is crucial; the years of slow and steady incremental progress must come to an end if we are to truly unlock the talents of everyone in our country.

Despite the good work that universities and colleges do to raise aspirations, there is general agreement that the way in which students are admitted onto courses could be improved. We launched a consultation on our admissions review which set out three options for the future, seeking views from far and wide – not least from students and applicants themselves. However, the coronavirus emergency meant we paused this consultation.

When students embark on their courses, we know from our research into value for money that they are looking for excellent teaching and facilities. The issue of quality in higher education is not going to go away. Most universities, colleges and higher education providers provide excellent education and good outcomes for most of their students on most of their courses. But that is not universal.

All providers need to meet our conditions of registration both at the point of registration and on a continuing basis. This includes five conditions around the quality of provision. Where providers meet their obligations in this area, they will find a supportive regulator that ensures success and innovation happens with little interference – but, where students are let down, we have and will continue to intervene. We were gratified that the High Court ruled in March 2020 that we had acted entirely within the law in refusing a registration application. It is our role to regulate unashamedly in the interests of students and where we need to take difficult decisions to do that, we will.

I should like to thank the board of the Office for Students, our student panel, committees and staff. The work they are doing is helping us to be an efficient and effective regulator acting in the interests of students during these most extraordinary times.



Sir Michael Barber

# Overview

The Office for Students (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.

The overview provides a summary of our work, 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

This annual report sets out the work the OfS has undertaken in our second year of operation. It was the year in which we took on the full range of our powers. However, the coronavirus (COVID-19) outbreak at the end of the operating period has required us urgently to redirect our activity and resources to respond to this unprecedented emergency. Our initial objectives during the coronavirus crisis were to:



- support the government's objectives by sharing information with higher education providers and enabling them to respond effectively
- protect students by working with providers to develop practical ways to maintain teaching quality and standards, enable adequate exams and assessment, and support financial sustainability
- seek to minimise long-term disruption to the English higher education system – reducing permanent damage and laying the foundations for the sector to recover as quickly as possible once the pandemic is over.

When we started our work in 2018, all universities and colleges were required to register with us if they wished to access public funding, and if their students were to have access to government-backed student maintenance and tuition loans. Registration has been a significant piece of work for the OfS and is crucial in ensuring that students' interests are protected. At the close of this operating period, we had registered 394 providers. The initial registration process formed a significant part of our work in our first year of operation. As providers were able to apply for registration at any time, during our second operating year we continued to rigorously assess a number of existing and new applications. This is complex, technical and detailed work. The Higher Education and Research Act 2017, which established the OfS, is clear that we must only register providers that meet our conditions.

By 31 March 2020, we had made final decisions to refuse registration to 25 providers. In every case, we are seeking to act in the interests of students – past, present and future.

In the 2019-2020 year our monitoring and intervention team handled a range of cases, intervening when appropriate. We set out in guidance to the sector how we would respond to issues, making clear to providers their responsibilities. Our student protection team has worked to protect student interests when providers have closed, were at risk of closure or were implementing their student protection plans. After a large unregistered provider in



London went into administration in July 2019 and subsequently closed, we assisted in ensuring that students were offered alternative courses or able to complete their study.

While some of our regulatory work necessarily carries a hard edge (even as we work collaboratively with the sector to mitigate the impacts of coronavirus on students), we also have a wider role to improve the information, advice and guidance received by prospective students. Working closely with colleagues in Northern Ireland, Scotland and Wales, we launched Discover Uni, a new information resource for students, which is designed to provide easy access to key advice and data to help applicants make choices about the courses which are right for them.

By highlighting important issues, we incentivise universities and colleges to address areas of growing public concern. We drew attention to the rise in conditional 'unconditional offers' which may not be in students' interests, as well as excessive levels of senior pay, and the unexplained increases in the percentage of first-class degrees awarded since 2010-11. On these issues we have seen some positive signs of change.

One of my first acts when I was appointed chief executive of the Office for Students was to set up our student panel. The panel has provided good advice and constructive criticism from a range of perspectives. Our student engagement strategy<sup>1</sup>, published in February 2020, sets out how we will seek to engage and involve students in our regulatory work. We are the regulator for students, and we consider it important that students help shape our priorities and work.

Throughout the year we took forward our programme to transform the organisation, with its three main strands of a digital, data and technology programme, a learning and development programme for staff, and a strong commitment to equality, diversity and inclusion in all we do. Our investment in technology has been crucial in enabling our staff to work remotely during the coronavirus pandemic, and staff have responded impressively and effectively in response.

We aim to be a regulator that stands up for the interests of students, working respectfully and proportionately with the providers we regulate.

Although the coronavirus pandemic has required us to modify our approach to aspects of our regulatory requirements, ensuring that students are able to benefit from the life-changing benefits of higher education remains key to our thinking, our actions and our strategy.



Nicola Dandridge, CBE  
Chief executive

---

<sup>1</sup> Available at [www.officeforstudents.org.uk/publications/students-experts-in-their-own-experience/](http://www.officeforstudents.org.uk/publications/students-experts-in-their-own-experience/).

## About us

The OfS was established by the Higher Education and Research Act 2017 (HERA). We came into existence in January 2018, with our legal powers coming fully into force in August 2019.<sup>2</sup> We are an independent public body and we report to Parliament through the Department for Education (DfE). We work with higher education providers to make sure that they are delivering positive outcomes for their students. Where they are not, we take action.

At the heart of our work is the regulatory framework.<sup>3</sup> This is a statement of how we intend to perform our functions. Our four regulatory objectives, set out below, describe the outcomes we are seeking to achieve for past, current and future students. These are that all students, from all backgrounds, and with the ability and desire to undertake higher education:

- are supported to access, succeed in, and progress from, higher education
- receive a high-quality academic experience, and their interests are protected while they study or in the event of provider, campus, or course closure
- are able to progress into employment or further study and their qualifications hold their value over time
- receive value for money.

These four objectives are underpinned by provider-level regulation that sets out the conditions of registration that we expect all registered providers to meet. These robust regulatory baselines create the conditions for informed choice, competition and continuous improvement in the interests of students. At sector level we also incentivise excellent teaching and outcomes through the Teaching Excellence and Student Outcomes Framework (TEF).

We respect institutional autonomy and the approach in our regulatory framework is proportionate and risk-based. Our communications and the transparent publication of information are a crucial part of our regulatory approach, complementing our formal guidance and requirements.

Through the Director for Fair Access and Participation we are working to shift expectations so that where a student comes from does not determine their chances of accessing and succeeding in higher education and progressing to a successful career after graduating. We ask providers to engage in tackling the barriers for underrepresented individuals, whether they be personal, financial or related to the pathways from schools and colleges into higher education.

---

<sup>2</sup> See [www.legislation.gov.uk/ukpga/2017/29/contents/enacted](http://www.legislation.gov.uk/ukpga/2017/29/contents/enacted).

<sup>3</sup> See [www.officeforstudents.org.uk/advice-and-guidance/regulation/the-regulatory-framework-for-higher-education-in-england/](http://www.officeforstudents.org.uk/advice-and-guidance/regulation/the-regulatory-framework-for-higher-education-in-england/).

Our ambitious strategy for 2018 to 2021<sup>4</sup> sets out how we will achieve the objectives set out in our regulatory framework. Our strategy is structured around the four regulatory objectives and adds a fifth, internally focused objective, which is to be an efficient and effective regulator.



The regulatory and strategic objectives set the direction for the OfS as an organisation. Everything that we do is ultimately in pursuit of these aims. The strategy explains how we intend to get there, and the regulatory framework describes how we intend to perform our functions while doing so.

<sup>4</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/).

To add more focus to our work, we have 13 strategic outcomes which sit beneath one of the five regulatory objectives and describe in more detail what we are seeking to achieve. In this report we have used the strategic outcomes to structure the discussion in the Performance summary and Performance analysis sections.

Each strategic outcome has at least one key performance measure (KPM) which helps us to understand and demonstrate progress against that outcome (and our strategy overall).<sup>5</sup> As a new regulator, one of the tasks for our first three years of operation has been to define these KPMs and start collecting data against them. Once specified, we also plan to set targets for the KPMs, where appropriate. For those KPMs relating to the performance of higher education providers, we have long-term targets, and therefore the timeframes for measuring progress also look beyond the period of our current strategy.

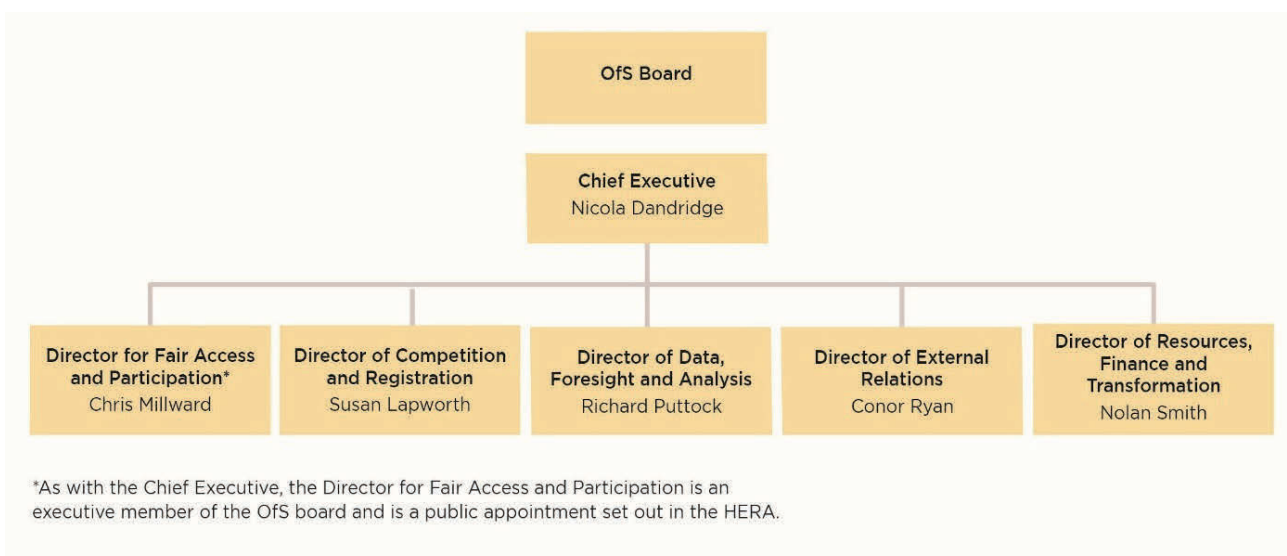
Furthermore, our organisational values guide our behaviours, shaping the way we work with students and the higher education sector.



From 1 August 2019 our business model changed from funding from central government to being predominantly funded by provider registration fees.

<sup>5</sup> See [www.officeforstudents.org.uk/about/measures-of-our-success/](http://www.officeforstudents.org.uk/about/measures-of-our-success/).

## How we are organised



## Measuring and reporting our progress

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

- We track our performance against our key performance measures.<sup>6</sup>
- We carried out a mid-point review in autumn 2019 in which, working with the board, we reviewed our performance against the objectives of our strategy and our key performance measures.
- Our 2019-20 business plan sets out our activities for the year against our regulatory objectives.<sup>7</sup> We review progress against delivery on a quarterly basis, and track milestones monthly.
- The OfS board and the Risk and Audit Committee review performance regularly. We also report to the DfE on progress.

## Our approach to risk management

Effective risk management is fundamental to the delivery of our strategy and business plan.<sup>8</sup> Risks are identified, assessed, managed, reviewed and recorded in line with our Risk Management Policy. Our approach involves:

- identifying and managing risks at the strategic, corporate and operational levels
- aligning risk with planning and project management at corporate and directorate level

<sup>6</sup> See [www.officeforstudents.org.uk/about/measures-of-our-success/](http://www.officeforstudents.org.uk/about/measures-of-our-success/).

<sup>7</sup> See [www.officeforstudents.org.uk/about/our-business-plan/](http://www.officeforstudents.org.uk/about/our-business-plan/).

<sup>8</sup> Our detailed approach to managing risk is described on page 66 in the Accountability Report.

- systematic use of risk appetite in determining the risk response, and to help us take the measured risks we need to succeed
- integrating assurance and internal control review
- creating an organisation-wide culture which builds increasing risk maturity.

A summary of the strategic risks we faced during the operating year is on page 39. Each risk is owned by the chief executive or an OfS director. Specific threats and opportunities are identified and assessed by the senior leadership team through programme and project management.

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

## Performance summary

This performance summary reports on our progress in delivering against our four regulatory objectives of participation, experience, outcomes and value for money, and our commitment to be an efficient and effective regulator. Additionally, we explain how we regulate in all areas of our work in the student interest.

This year we expanded our activities: on 1 April 2019, we took on responsibility for deciding applications from providers for university title. Following the full implementation of the Regulatory framework, from 1 August 2019 we took on regulation of all providers with designated courses, and additional responsibilities such as the variation or revoking of degree awarding powers.

Consistent with our role as an independent regulator, we worked closely with the DfE and other government agencies to respond to the coronavirus pandemic. We also worked closely and collaboratively with sector and student bodies, the devolved administrations and other stakeholders.

In March 2020 we acknowledged that it would not be appropriate for us to continue to impose our regulatory requirements as we would in normal times. We suspended a number of requirements in order to reduce the burden on providers and support them as they sought to protect the interests of their students during the pandemic.<sup>9</sup> We also revisited our business planning for 2020-21, prioritising our activities and beginning significant new workstreams.

### Regulating in the student interest

**Strategic outcome O2: Students' lives are improved and enriched by their time in higher education.**

The OfS's approach to regulation puts students at its heart.<sup>10</sup> To be registered with the OfS, universities or colleges must satisfy a number of conditions – on access and participation, quality and standards, student protection, financial sustainability and governance.<sup>11</sup> This means that students can be confident that registered providers offer good-quality courses, and are financially viable and well managed.

---

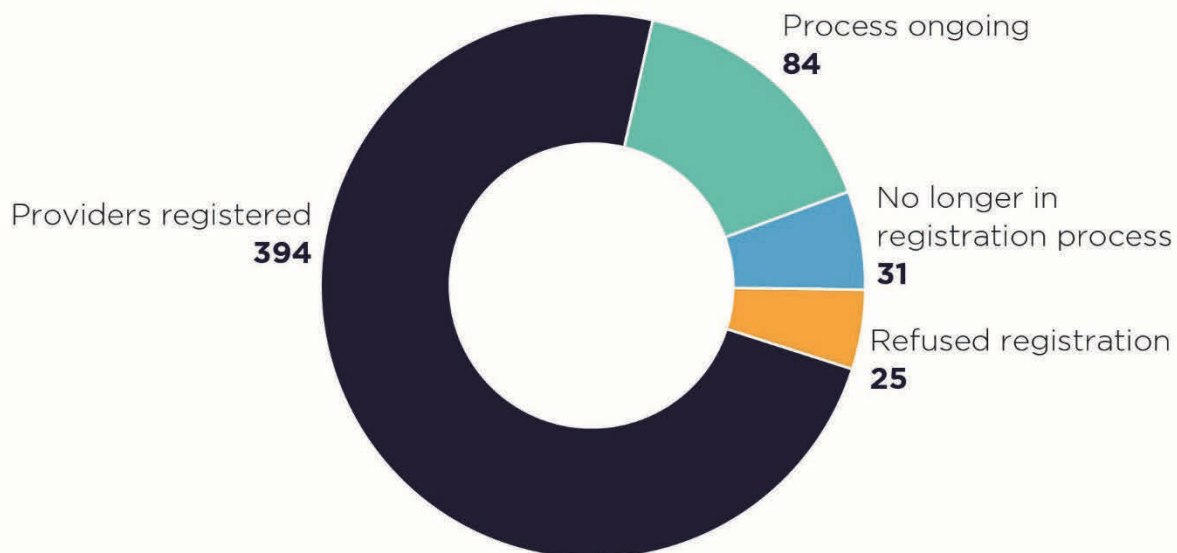
<sup>9</sup> See [www.officeforstudents.org.uk/publications/regulatory-requirements-during-the-coronavirus-covid-19-pandemic/](http://www.officeforstudents.org.uk/publications/regulatory-requirements-during-the-coronavirus-covid-19-pandemic/).

<sup>10</sup> See [www.officeforstudents.org.uk/advice-and-guidance/regulation/the-regulatory-framework-for-higher-education-in-england/](http://www.officeforstudents.org.uk/advice-and-guidance/regulation/the-regulatory-framework-for-higher-education-in-england/).

<sup>11</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/).

We completed the majority of provider registrations in our first year of operation.<sup>12</sup> In 2019-20 we mainly dealt with applications from providers that had not been part of the previous regulatory regime, and from those with complex circumstances. Some applications took a considerable time to assess, and many applications were incomplete, which caused delays.

### Summary of status of applications as of 31 March 2020



Once registered, providers must meet our regulatory conditions. They are also required to notify us of any events that have an impact on their ability to meet our regulatory requirements.

Over the past year we established ongoing monitoring and intervention systems – a major undertaking. Our approach to monitoring and intervention is risk-based: we focus on those universities and colleges we consider to be at increased risk of breaching one or more conditions. We may decide to monitor a provider more closely, or to intervene to require it to make improvements in a particular area.

#### 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.

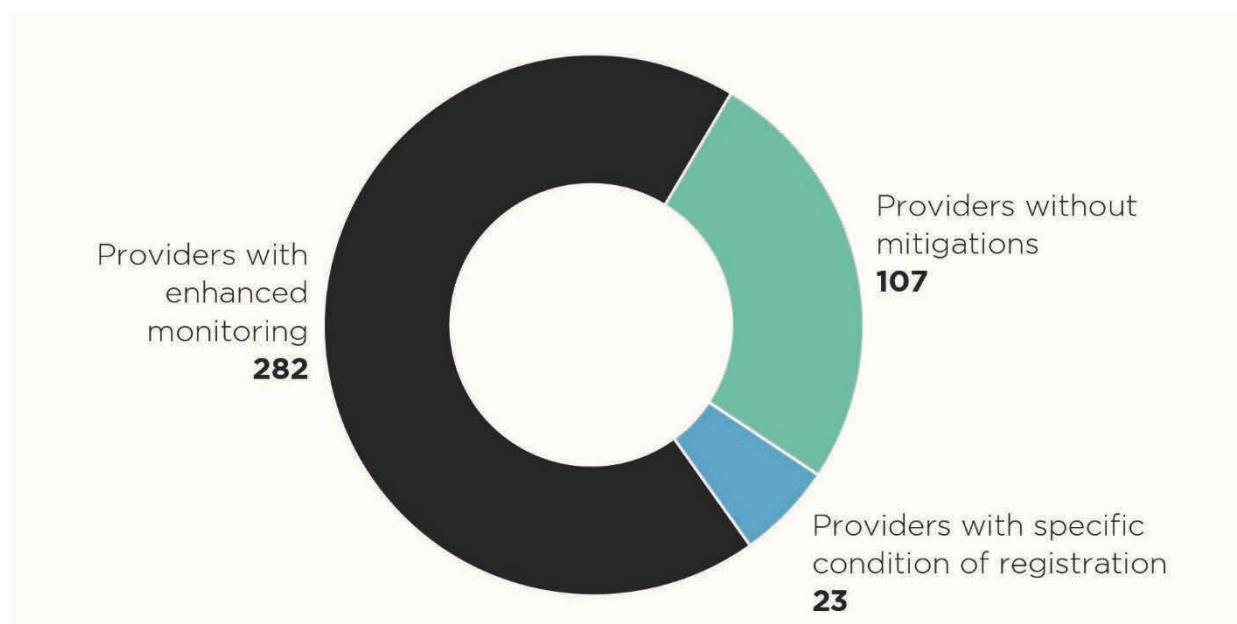
<sup>12</sup> For an analysis of this work, see [www.officeforstudents.org.uk/publications/registration-key-themes-and-analysis/](http://www.officeforstudents.org.uk/publications/registration-key-themes-and-analysis/).



During the operating year, most registered providers were subject to some form of monitoring and intervention, but often these took the form of a formal communication.<sup>13</sup>

Interventions have been imposed across all of the conditions of registration, but 37 per cent of the total number of specific conditions or enhanced monitoring relate to the first condition on access and participation plans, reflecting our level of ambition and challenge in this area.

### Mitigations applied to higher education providers as of 31 March 2020



**Note:** Some providers may have both specific conditions and enhanced monitoring applied to them.

Where a provider has breached a condition, we can apply one or more of a range of sanctions, including de-registration.

We use quality and standards reviews as part of the registration process, and in our monitoring of registered providers where we have concerns about aspects of quality and standards. These reviews are carried out for us by the designated quality body, the Quality Assurance Agency for Higher Education (QAA)<sup>14</sup>, and form part of the evidence we use in our regulatory decision making. Last year we worked with the QAA on a revised approach to the reviews, with the aim of further improving their quality and reliability.

<sup>13</sup> For more information on interventions, see [www.officeforstudents.org.uk/publications/regulatory-advice-15-monitoring-and-intervention/](http://www.officeforstudents.org.uk/publications/regulatory-advice-15-monitoring-and-intervention/).

<sup>14</sup> The QAA is the designated quality body under paragraph 3 of Schedule 4 to HERA as the designated assessment body to perform the assessment functions in relation to quality and standards in English higher education.

## A data-led regulator

Our data strategy emphasises the importance of comprehensive and timely data to allow us more quickly to identify changes in student recruitment and retention patterns.<sup>15</sup> We currently gather extensive data from registered higher education providers through the designated data body (the Higher Education Statistics Agency (HESA) and other data partners.<sup>16</sup> This data informs our regulatory decisions. As we pursue our objective of raising the bar on the quality of provision in the future, we will wish to be able to rely on more timely data. At present, individual-level student data is only available in the December following the end of the academic year to which it relates.

Supported by the OfS and the other UK higher education funding and regulatory bodies, HESA<sup>17</sup> has been leading a major programme, Data Futures, which is looking at how to deliver high-quality in-year data. The programme encountered some problems in its delivery, and the OfS board decided to suspend funding in August 2019 to allow those problems to be resolved. In March 2020 the OfS board agreed that given the regulatory importance of in-year data relating to individual students, a revised Data Futures programme should be supported, and agreed funding for the period March to September 2020 for Jisc<sup>18</sup> and HESA. (See the Governance statement on page 71 for additional information.)

HESA has announced an intention to deliver in-year data from 2023-24 and published a detailed specification. We are currently discussing with HESA and Jisc how to take this work forward in the light of the coronavirus outbreak.

## Industrial action

In 2019-20 many students' studies were disrupted by industrial action at universities and colleges. It is not for the OfS to involve itself in the substance of industrial disputes, but we do have a clear remit to try to mitigate their impact on students through our conditions of registration. We issued guidance to providers setting out our expectation in terms of compliance with the regulatory requirements so as to reduce the impact of the strike action on teaching, learning and assessment. We also expect providers to explain to their students the likely impact of any industrial action, particularly in relation to exams and assessments.

While we are not empowered to respond to individual student complaints, we published general advice to students on what to do if they considered their provider was not following our guidance.

---

<sup>15</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>16</sup> Other data partners include the Education and Skills Funding Agency, the Student Loans Company and the Universities and Colleges Admissions Service (UCAS).

<sup>17</sup> HESA is the designated data body under HERA Sections 64 to 67. The duties of the designated data body are to compile, make available and publish higher education information.

<sup>18</sup> Jisc is a UK not-for-profit company whose role is to support post-16 and higher education, and research by providing advice, digital resources, network and technological services.

## Student transfers

Under section 38 of HERA, the OfS is required to monitor the availability of schemes or other arrangements for student transfer. To support this, we place a requirement on all registered providers through general ongoing condition F2: student transfer arrangements, which requires a provider to publish information about its arrangements for a student to transfer.

We had limited information about how different providers support incoming and outgoing student transfer. To establish a baseline, we wrote to providers and asked them to provide information about their arrangements. We reviewed the information we collected about existing practices while also considering other sources of information about patterns of student transfer.

Figures relating to student transfer among English providers suggest that there is a low but stable level of uptake of student transfers and a high level of compliance with condition F2 among providers. There is clearly scope for some providers to make available more comprehensive information regarding student transfer arrangements. The OfS will assess its initial findings further to determine its future work in this area and will publish further information. This will include considering the extent to which the OfS wishes to use its power to 'facilitate, encourage, or promote awareness of, the provision of arrangements by registered higher education providers for student transfers' under section 38(1)(d) of HERA.

## 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.**

**Strategic outcome P1:** Access, success and progression are not limited by background and identity, and gaps are significantly reduced.

In 2019-20 we continued to work towards achieving the ambitious targets we have set for ourselves and the sector to achieve equality of opportunity in higher education within 20 years.<sup>19</sup> We know that some groups of students are underrepresented in higher education, or do less well if they do go to university or college. Our targets (or key performance measures (KPMs)) relevant to this objective are focused on eliminating 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

---

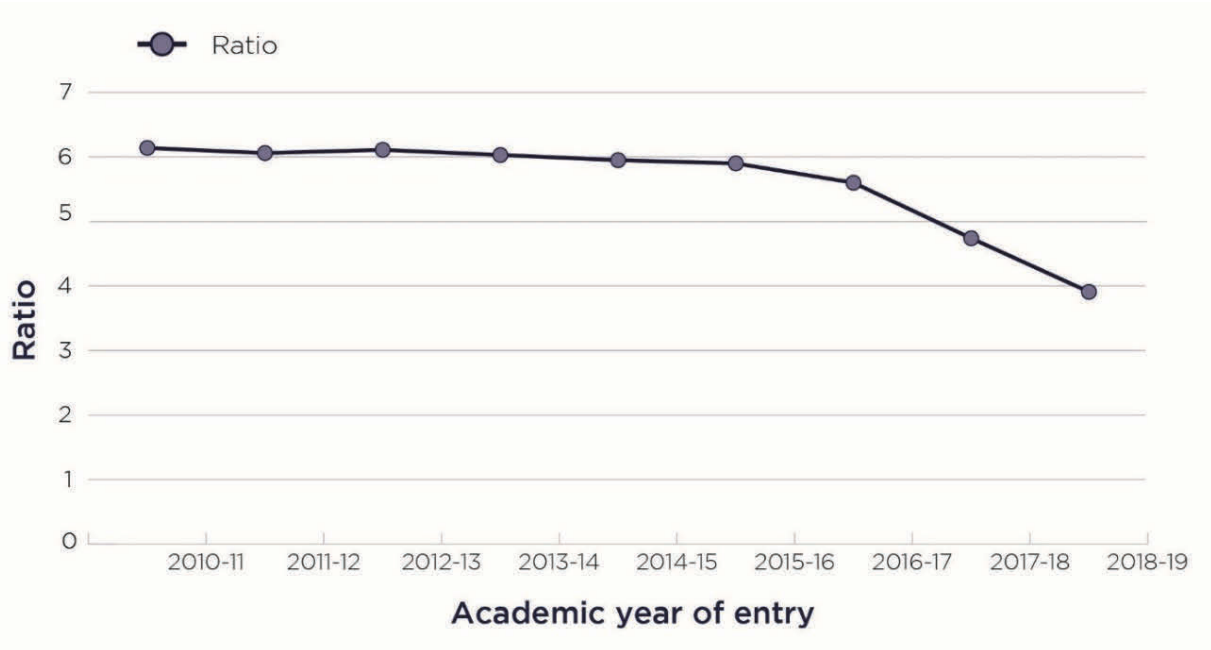
<sup>19</sup> See [www.officeforstudents.org.uk/about/measures-of-our-success/participation-performance-measures/](http://www.officeforstudents.org.uk/about/measures-of-our-success/participation-performance-measures/).

- degree outcomes between disabled and non-disabled students.

In May 2020 we published updated access and participation data dashboards which makes available key data, allowing providers to assess more easily their own performance in comparison to others, and to understand how we will assess them.<sup>20</sup>

One of our targets, KPM2, measures progress in closing the gap in participation in higher-tariff providers between the most and least represented groups of young people.<sup>21 22</sup> In the 2018-19 academic year (the most recent available data), the most represented students were 3.91 times more likely to go to a high-tariff university or college than the least represented (a gap of 19.5 percentage points). This ratio is almost twice the equivalent figure across all providers, which shows that the most represented students are 2.08 times as likely to attend.

### Gaps between POLAR4 quintile 5 and quintile 1 (shown as a ratio)



**Source:** Individual student data from HESA and the Education and Skills Funding Agency Individualised Learner Record (ILR); POLAR classification of postcodes

We also want to make progress in eliminating the unexplained gap in degree outcomes between white and black students, and to eliminate the absolute gap (caused by both structural and unexplained factors) by 2030-31. KPM4 measures the percentage point gap between the proportions of white and black students receiving a 1st or a 2:1 over time. This

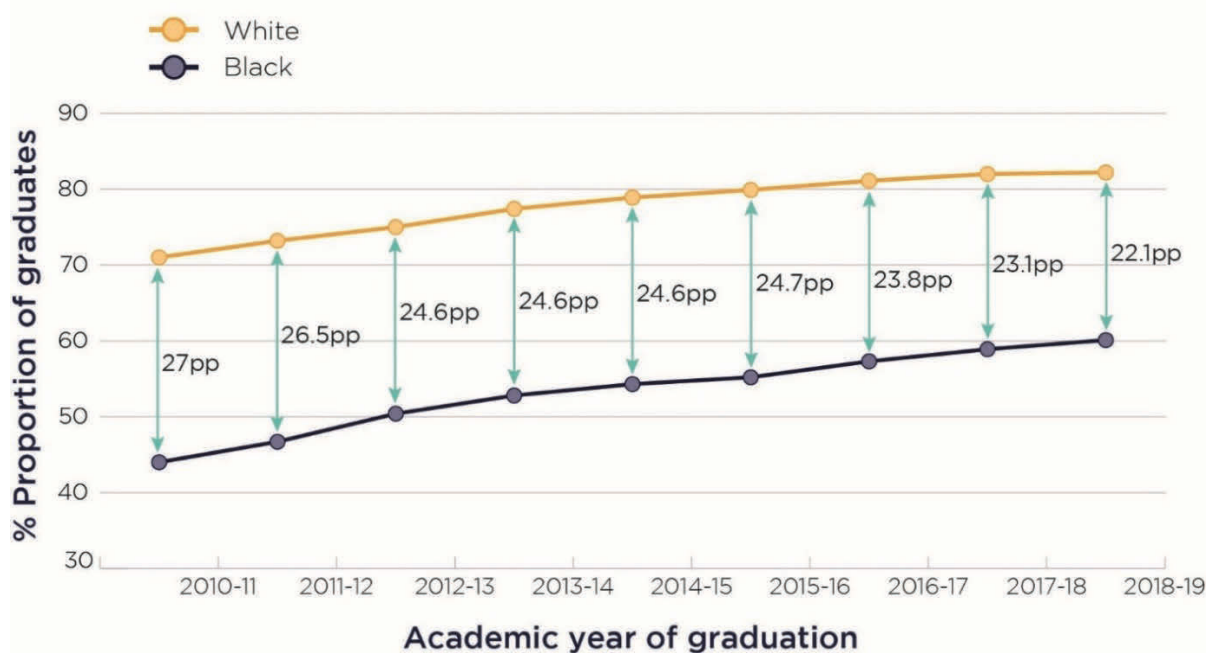
<sup>20</sup> See [www.officeforstudents.org.uk/data-and-analysis/access-and-participation-data-dashboard/](http://www.officeforstudents.org.uk/data-and-analysis/access-and-participation-data-dashboard/).

<sup>21</sup> See [www.officeforstudents.org.uk/about/asures-of-our-success/participation-performance-measures/gap-in-participation-at-higher-tariff-providers-between-the-most-and-least-represented-groups/](http://www.officeforstudents.org.uk/about/asures-of-our-success/participation-performance-measures/gap-in-participation-at-higher-tariff-providers-between-the-most-and-least-represented-groups/).

<sup>22</sup> These groups are derived from the Participation of Local Areas (POLAR) dataset, a measure that groups geographical areas across the UK based on the proportion of the 18- to 30-year-old population who have participated in higher education by the age of 19.

gap in degree outcomes continued to narrow by 1 percentage point between 2017-18 and 2018-19 but remains large.

### Gap in degree outcomes 1sts or 2:1s between white students and black students



**Source:** Individual student data from HESA and ILR.

**Note:** y-axis does not start at 0. 'pp' = 'percentage point'.

On both of these KPMs, we see welcome progress but there is much work still to do.

### Access and participation plans

Universities and colleges wishing to charge higher tuition fees must have an access and participation plan approved by the OfS's Director for Fair Access and Participation. Their plans must set out how they are going to achieve equality of opportunity for their students.<sup>23</sup> We have now approved over 200 plans covering a five-year period from 2020-21 to 2024-25. We have put in place a range of measures to hold providers to the commitments they have made, and we will use the access and participation dashboards to help us monitor their progress towards delivering their plans.

<sup>23</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/).

## Access and participation plans: holding universities and colleges to account

- 14 plans were approved for a shorter time than the maximum five-year period: five for up to three years, six for up to two years and three for one year.
- 90 providers have received enhanced monitoring requirements, which require them to report on specific commitments in their plans on top of the annual impact report process to which all providers are subject.
- 79 providers have received formal communications, which draw attention to particular areas of the plan they will be expected to address in their first annual impact report in 2022.

To date, no plans have been refused and no specific conditions have been applied (in the previous plan process, five providers received specific conditions).

In January 2020 we published an analysis which looked across all the plans in aggregate to get a broad indication of their collective impact on the sector-level KPMs. It found that if all providers meet their targets, by 2024-25 significant progress will have been made towards achieving the national targets.<sup>24</sup>

The analysis found encouraging evidence of effective practice in access and participation. It also highlighted the following areas of ongoing concern:

- Mature students are not being sufficiently prioritised by many universities and colleges.
- Approaches to addressing the needs of some smaller groups of underrepresented students – such as care leavers, people estranged from their families, young people from military families, and people from Gypsy, Roma and Traveller communities – are still in the early stages of development.
- A number of the issues that underpin inequality in higher education – such as geographical disparities in school attainment – could be tackled more effectively through a joint effort between universities, colleges, schools, local authorities and third sector organisations. Our funding of Uni Connect partnerships (see page 21) delivers this collaborative working.

## Degree apprenticeships

Degree apprenticeships provide a high-quality progression pathway for those completing lower-level apprenticeships, those in work who are looking to upskill or retrain into more highly skilled occupations, and young entrants on an academic pathway who are considering their options beyond traditional university entry. We include degree apprenticeships in the scope for targets, investment and activity in access and participation plans, and count

---

<sup>24</sup> See [www.officeforstudents.org.uk/publications/transforming-opportunity-in-higher-education/](http://www.officeforstudents.org.uk/publications/transforming-opportunity-in-higher-education/).

degree apprentices when calculating the premiums we give to providers to support disadvantaged learners in their studies.

## Admissions review

This year we sought the views of students, staff at universities and colleges, schools and all those with an interest in education, on a range of issues relating to university and college admissions. The review considers how the admissions system works for all students, whether they are studying full or part-time for an undergraduate or postgraduate degree, whatever their age. This followed our publication of an Insight brief<sup>25</sup> earlier in this operating period which looked at the ways in which contextual admissions can be further developed to ensure that students with the potential to succeed in higher education have the opportunity to do so, and to help narrow the gaps between the most and least represented groups.<sup>26</sup>

The coronavirus crisis led us to pause this consultation. In working with partners to stabilise the admissions system for 2020-21 entry, we have been mindful of the needs of vulnerable students and underrepresented students, and have sought to ensure that their interests are represented in the arrangements put in place.

**Strategic outcome P2:** all access and participation activity is underpinned by evidence and ‘what works’.

## Evidence and evaluation

Our strategy for evidence and evaluation in access and participation emphasises the importance of evidence and evaluation in understanding the impact of higher education outreach activity and informing the targeted use of resources for maximum benefit to students.<sup>27</sup>

All access and participation plans are required to include an explanation of how providers intend to monitor and evaluate their work, and we are working to strengthen and improve evaluation practice in a number of ways:

- In 2019-20 we continued to build our online effective practice resource for providers.<sup>28</sup> Priority areas for future development include identifying what works in eliminating unexplained gaps in the class of degree awarded between white students and their counterparts from minority ethnic groups; contextual admissions; and support for local students and graduates.

---

<sup>25</sup> See [www.officeforstudents.org.uk/data-and-analysis/insight-briefs/](http://www.officeforstudents.org.uk/data-and-analysis/insight-briefs/).

<sup>26</sup> See [www.officeforstudents.org.uk/publications/contextual-admissions-promoting-fairness-and-rethinking-merit/](http://www.officeforstudents.org.uk/publications/contextual-admissions-promoting-fairness-and-rethinking-merit/).

<sup>27</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>28</sup> See [www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/evaluation-and-effective-practice/a-to-z-of-effective-practice-in-access-and-participation/](http://www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/evaluation-and-effective-practice/a-to-z-of-effective-practice-in-access-and-participation/).

- We are funding an independent affiliate ‘what works’ centre, the Centre for Transforming Access and Students Outcomes in Higher Education (TASO), to



evaluate the impact of widening access and participation interventions.<sup>29</sup> Established in 2019, TASO is currently being set up by a consortium from King’s College London, Nottingham Trent University and the Behavioural Insights Team and will be fully independent and self-funding by 2022. Its first publication, in January 2020, identified a number of gaps and areas for improvement in the way interventions are evidenced and assessed.<sup>30</sup>

## Uni Connect

Uni Connect is a major programme supporting 29 local partnerships of universities, colleges and local partners across England to help school-age students understand and experience the benefits of higher education.<sup>31</sup> It focuses on students in areas with lower than average participation in higher education. The OfS provides academic year funding of £60 million.

An evaluation of the first phase of the programme, which ended in July 2019, found that sustained and progressive outreach had a more positive impact than ad hoc activity.<sup>32</sup> It also found that while the programme overall was successfully targeting participation ‘cold spots’, some partnerships lacked sufficient strategic focus.

The second phase of the programme supports two main strands of activity:

- Continued targeted outreach in those local areas with the greatest potential impact in terms of increasing young participation in higher education.
- Expanding the numbers of schools and colleges with which the local partnerships are working.

<sup>29</sup> See <https://taso.org.uk/>.

<sup>30</sup> See <https://taso.org.uk/publications/>.

<sup>31</sup> Uni Connect was previously known as the National Collaborative Outreach Programme (NCOP).

<sup>32</sup> See [www.officeforstudents.org.uk/publications/ncop-end-of-phase-one-evaluation-report/](http://www.officeforstudents.org.uk/publications/ncop-end-of-phase-one-evaluation-report/).



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

Funding is a core part of the OfS's work. It helps us to meet our regulatory objectives by driving improvements in student access, experience and outcomes. Student premium funding contributes towards the aims and objectives set out in providers' access and participation plans (or statements).

In academic year 2019-20 we expect to provide funding totalling £332 million for access and participation activity in providers across England:

- £60 million for the Uni Connect programme
- £40 million for the disabled students premium
- £71 million for the premium to support successful student outcomes for part-time undergraduates
- £161 million for the premium to support successful student outcomes for full-time undergraduates.

We are reviewing our future approach, including in relation to the disabled students premium where we are taking advice from the Disabled Students' Commission. We will consult on our approach to recurrent funding in the next operating period.

## 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.**

**Strategic objective E1:** 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.

## 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. We need to narrow the 'information gap' experienced by many students, particularly those from disadvantaged backgrounds, part-time and mature students.

In March 2019 the OfS board approved the first phase of the OfS's IAG strategy.<sup>33</sup> In September 2019 we set up a student information advisory group, drawn from a range of student, sector and other bodies, to help deliver the strategy. The group is initially looking at what constitutes high-quality higher education IAG, including benchmarking and good practice, and we are developing performance measures to quantify the impact of IAG activity.

It is imperative that prospective students receive clear, accurate information about their higher education options. Over the past year we continued to work with the Competition and Markets Authority, the Office of the Independent Adjudicator and the Advertising Standards Authority to ensure that providers understand and comply with consumer protection law in their dealings with prospective students, and to address consumer information concerns.

With the other UK higher education funding and regulatory bodies, in September 2019 we launched Discover Uni, a new website to help students navigate and make sense of their decision-making journey towards higher education. Discover Uni was developed with students and is being improved during its next 'beta phase' to add further functionality, improve data accessibility and provide practical information, most recently in response to the coronavirus pandemic.<sup>34</sup>



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.

## National Student Survey

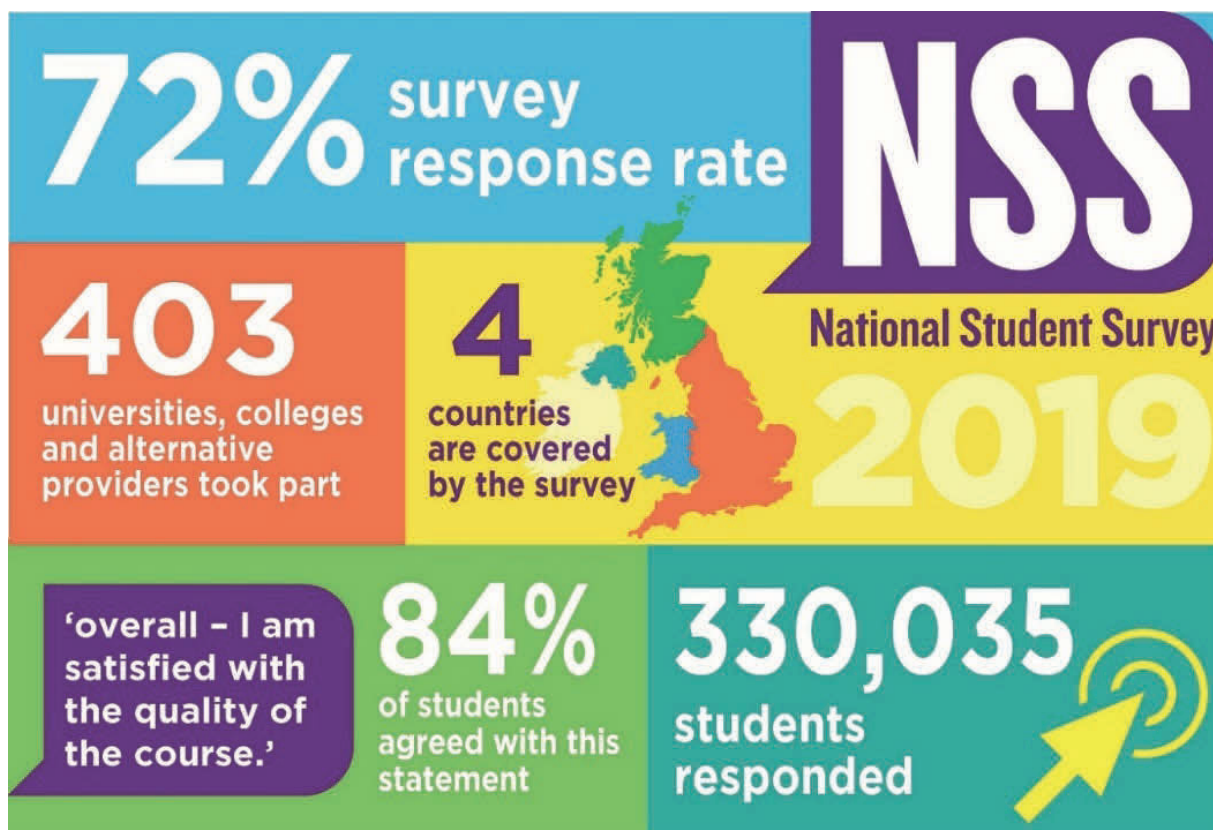
The National Student Survey (NSS) gathers final year students' opinions on the quality of their higher education courses. The results are used to inform prospective students' choices of what and where to study and to help providers to improve their students' experience. The OfS manages the survey on behalf of the four UK nations.

The latest set of results, published in June 2019, show continuing high levels of student satisfaction overall. In 2019, England reported overall satisfaction at 83 per cent, Scotland at 84 per cent, and Wales and Northern Ireland both at 85 per cent.

---

<sup>33</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/).

<sup>34</sup> A beta phase is the second phase in a software release life cycle. It is not the finalised version.



However, satisfaction levels vary significantly between different courses and universities, with some English universities and colleges seeing far lower scores than the headline figure of student satisfaction of 83 per cent. In England, overall satisfaction ranged from 73 per cent to 91 per cent.

**OfS Insight brief:  
The National Student Survey:  
consistency, controversy and change**

In February 2020 we published an Insight brief which looked at the role of the NSS in driving improvements in teaching and learning over the past 15 years. Drawing on new data, it also explored what the survey is telling us about the less than positive higher education experiences of underrepresented groups – in particular, students from minority ethnic backgrounds, disabled students, and part-time students – and looked at the ways in which the NSS could be improved to help capture the views of a wider range of students.



In 2019-20 we began work to develop the National Student Survey for 2021 and for future years. This includes piloting proposals for an expanded survey for all undergraduates, not just those in their final year as at present. We planned to consult in spring 2020 on new survey questions on student mental health and wellbeing – something we are hearing strongly from students they wish to see, but this work was paused as a result of the coronavirus pandemic.

**Strategic outcome E2:** Students have a positive experience of higher education and are highly satisfied with the quality of teaching, learning, wider experience and outcomes.

**Strategic outcome E3:** Students' knowledge and skills are improved during their higher education experience.

## Incentivising excellence: The Teaching Excellence and Student Outcomes Framework (TEF)

The TEF assesses excellence in teaching and student outcomes at universities and colleges across the UK. In June 2019 we published the outcomes of the Year Four assessment exercise, and extended all other TEF awards until 2021. As of 31 March 2020, a total of 282 UK higher education providers held a TEF award.<sup>35</sup>



TEF ratings are currently awarded at provider level. In 2018 we launched a two-year pilot programme to explore approaches to producing ratings at subject level. Through the two years of piloting we worked closely with staff and students at over 80 providers and 150 panel members, and we are grateful for their positive and constructive engagement throughout the pilots. We expect to publish the pilot findings alongside the government's publication of the independent review of the TEF.

We are developing proposals for the future TEF scheme, and how it should complement other elements of the regulatory framework to drive quality above the baseline and reinforce access and participation plans. We plan to consult on proposals for the future scheme after the independent review has been published, and have appointed an expert group to advise us as we develop and implement the proposals.

## Protecting students' interests

**Strategic outcome E4:** 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.

In 2019-20 we continued to work with the Office of the Independent Adjudicator to look at what more we can do to ensure providers have clear, effective student complaints systems in place.

<sup>35</sup> See [www.officeforstudents.org.uk/advice-and-guidance/teaching/tef-year-four/](http://www.officeforstudents.org.uk/advice-and-guidance/teaching/tef-year-four/).

All providers that register with us must have a student protection plan setting out what their students can expect in the event of course or campus closure, or if the provider shuts down entirely. The aim 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 the plan. We had intended to launch a consultation in spring 2020 to set out proposals to strengthen student protection plans in the interests of students, but this work was paused due to the coronavirus crisis.

In March 2020 we began new workstreams to respond to the impact of the coronavirus pandemic on teaching and learning, exams and assessments, and its impact on disadvantaged and vulnerable students in particular.

## Supporting students while they study

### Disabled Students' Commission

We know that disabled students are less likely to continue their degrees, graduate with a good degree, and progress onto a highly skilled job or further study. We also know from National Student Survey results that they can be more dissatisfied with aspects of their study experience. Our 2019 Insight brief explored what universities and colleges are doing to rectify these problems.<sup>36</sup>



At the request of the Universities Minister we established a Disabled Students' Commission to act as a source of advice and challenge to the sector. The chair is Professor Geoff Layer, Vice-Chancellor of the University of Wolverhampton, and the commissioners were announced in March 2020.<sup>37</sup> With students and the sector, the commission will develop priorities, targets and measures to help improve disabled students' higher education experience and outcomes.

**OfS Insight brief:  
Mental health: Are all students being properly supported?**

Our November 2019 Insight brief highlighted the gaps in outcomes between students with declared mental health conditions and those without, and showed how factors such as ethnicity and social disadvantage further impact those gaps. Drawing on data from the OfS access and participation dashboard, it found:



<sup>36</sup> See [www.officeforstudents.org.uk/publications/beyond-the-bare-minimum-are-universities-and-colleges-doing-enough-for-disabled-students/](http://www.officeforstudents.org.uk/publications/beyond-the-bare-minimum-are-universities-and-colleges-doing-enough-for-disabled-students/).

<sup>37</sup> See [www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/disabled-students-commission/](http://www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/disabled-students-commission/).

- In 2016-17, 87 per cent of students with declared mental health conditions continued their studies after their first year, compared with 90 per cent of all undergraduates.
- Among part-time students, those who came from the most deprived areas were most likely to report having a mental health condition, while those from the least deprived were least likely to do so.
- Black students with a declared mental health condition have some of the lowest continuation and attainment rates.

Students suffering mental ill health do less well than other students across a range of outcomes.<sup>38</sup> The scale of the problem may be even greater than the evidence indicates, and the coronavirus crisis is adding to pressures on students, underlining the importance of pastoral support for students in such challenging times.

The available data only includes those students who have declared, through the university application process, that they have a mental health condition that is registered as a disability. For this and other reasons, it is likely that there is a significant issue with underreporting.

We are working on a number of fronts to support students with mental health issues:

- Our access and participation guidance sets out our clear expectation that higher education 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.
- In June 2019 we announced successful bidders for a £6 million funding competition to generate new approaches to support student mental health and wellbeing.<sup>39</sup> Following the grant of £1 million funding from the Department of Health and Social Care, we launched on University Mental Health day (5 March 2020) a second phase of investment focused on student groups identified as at greater risk of developing poor mental health.<sup>40</sup> This funding will be allocated in the 2020-21 academic year.
- We are collaborating with a range of organisations to help universities and colleges tackle mental health challenges. With Student Minds, Universities UK, the National Union of Students, AMOSSHE (the student services organisation) and the Department for Education, we part-funded and helped to develop the University Mental Health Charter which sets out principles of good practice. Launched in December 2019, the charter and its award scheme support providers in changing

<sup>38</sup> See [www.officeforstudents.org.uk/publications/mental-health-are-all-students-being-properly-supported/](http://www.officeforstudents.org.uk/publications/mental-health-are-all-students-being-properly-supported/).

<sup>39</sup> Projects were funded from summer 2019 and funding will extend to autumn or winter 2020 subject to disruption caused by the coronavirus outbreak.

<sup>40</sup> See [www.officeforstudents.org.uk/news-blog-and-events/press-and-media/new-funding-competition-to-support-student-mental-health/](http://www.officeforstudents.org.uk/news-blog-and-events/press-and-media/new-funding-competition-to-support-student-mental-health/).

attitudes and promoting good mental health initiatives to meet the needs of their students and staff.

## The Prevent duty

The Prevent duty aims to safeguard people from becoming terrorists or supporting terrorism. We are responsible for monitoring the extent to which higher education providers in England comply with the duty.<sup>41</sup> (See pages 48-49 for further detail about how we exercised this duty.)

## Protecting and promoting freedom of speech

Universities and colleges are required to secure free speech within the law. The OfS's regulatory requirements reflect this obligation and also require providers to protect academic freedom. We also champion free speech at sector level.

Last year with partners<sup>42</sup> we developed practical guidance on the legal rights and obligations relating to free speech for use by all English higher education providers and students' unions, although we do not directly regulate students' unions, which are instead regulated by the Charity Commission.

We are considering how to further develop our approach to regulating for free speech and academic freedom, as these are essential elements of the higher education system and society.

## 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.**

**Strategic outcome O1:** Graduates and postgraduates leave with the knowledge and skills that will contribute to their national and local economies, and drive productivity.

We deliver our outcomes objective through the OfS's regulatory framework, and in particular condition B3, which requires registered providers to deliver successful outcomes for all of their students that are recognised and valued by employers, and enable further study.

---

<sup>41</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/). These providers (known as relevant higher education bodies) 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>42</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).

To assess compliance with this condition we look at student continuation and completion indicators, degree outcomes (including differential outcomes for students with different characteristics and graduate employment), and progression to professional jobs and postgraduate study.

We conduct a two-stage assessment. First, we consider the absolute outcomes delivered by the provider for its students. Second, we look at the context in which these outcomes are achieved.

We require providers to meet a high minimum baseline of performance for all students, wherever and whatever they study. We do this with the aim of raising outcomes across the sector. This is particularly important for disadvantaged students, who are disproportionately concentrated in providers with poorer outcomes. Further information and supporting documents are available on our website.<sup>43</sup>

We were pleased that in a judicial review case, the High Court in March 2020 found our approach to assessing student outcomes to be proportionate, rational and lawful.<sup>44</sup> We will be reviewing whether the baselines are set at the appropriate level to protect the interests of students, and will consult on this at an appropriate future point.

### **Progression to postgraduate research**

While black, Asian and minority ethnic students are well represented on postgraduate taught courses, this is not the case for postgraduate research. In early 2020 we prepared to launch a joint funding competition with Research England for projects to increase access and participation for these groups, with the aim of improving the flow of qualified researchers into academic careers. However, this competition was paused due to the coronavirus pandemic. We will look to continue this work in the near future.

### **Developing graduate talent**

We want to make sure that the pipeline of graduate talent meets the current and future needs of employers. This is an area of work where there are joint policy interests with UK Research and Innovation (UKRI), which is the national agency investing in science and research in the UK. We work closely with Research England, which oversees UKRI's England-only functions in relation to university research and knowledge exchange.

### **Knowledge exchange**

Knowledge exchange delivers economic and social benefit through the sharing of knowledge. Students can benefit from their participation in knowledge exchange activities through development of skills that improve their employability, experience and contacts.

In autumn 2019 we launched a joint programme with Research England inviting bids for projects on student engagement in knowledge exchange. Evidence is currently lacking on

---

<sup>43</sup> See [www.officeforstudents.org.uk/publications/registration-key-themes-and-analysis/](http://www.officeforstudents.org.uk/publications/registration-key-themes-and-analysis/).

<sup>44</sup> See [www.officeforstudents.org.uk/news-blog-and-events/press-and-media/office-for-students-welcomes-landmark-victory-to-protect-students-interests/](http://www.officeforstudents.org.uk/news-blog-and-events/press-and-media/office-for-students-welcomes-landmark-victory-to-protect-students-interests/).



the extent to which students engage in and benefit from knowledge exchange activities, and the impact of student-engaged activities on external partners. The programme will gather examples of good practice to share across the sector. It will also help us optimise the use of the Higher Education Innovation Fund, the key funding mechanism for supporting knowledge exchange. This will bring improved value for money for public funds.

Funding for the successful projects was announced in April 2020. The programme will run for two years.<sup>45</sup>

The Government's Industrial Strategy identifies artificial intelligence (AI) and data as one of its four grand challenges, with the stated ambition to put the UK at the forefront of the AI and data revolution. The strategy identifies the OfS as a key partner in helping to address employer and student needs.<sup>46 47</sup>

- This year we continued to support the Institute of Coding. This is a network of universities led by the University of Bath, which is exploring ways to upskill and retrain people in new technologies such as cybersecurity and artificial intelligence, and offers a range of courses allowing flexible study. We provided the third and final year of our £20 million investment for the academic year 2019-20.
- In October 2019 we launched a £13 million competitive funding programme on behalf of the Department for Digital, Culture, Media and Sport and the Office for Artificial Intelligence to support the development of postgraduate conversion courses in AI and data science. In April 2020 we announced funding for 18 projects, including an allocation to the Institute of Coding (see above).<sup>48</sup> We plan a national branding and marketing campaign to build awareness of the opportunities.

A strong pipeline of highly skilled talent relies on good collaboration between employers and providers. We know that about 45 per cent of graduates responding to the 2015-16 Destinations of Leavers from Higher Education survey looked for post-study employment in their home region. This means that graduate outcomes for those who choose to study and work in their home region are shaped by local and regional demand – and the buoyancy of local economies varies greatly across England.

Through our Local Graduates Challenge Competition, we are seeking to bolster graduate outcomes for those students. The £5.6 million programme funds 16 projects focused on developing employment opportunities through work-related training, the development of links with local employers, supporting the transition into graduate employment, and infrastructure. Projects address challenges such as improving employment outcomes for mature, part-time

---

<sup>45</sup> See [www.officeforstudents.org.uk/news-blog-and-events/press-and-media/funding-boost-for-students-to-work-with-business-and-communities/](http://www.officeforstudents.org.uk/news-blog-and-events/press-and-media/funding-boost-for-students-to-work-with-business-and-communities/).

<sup>46</sup> See [www.gov.uk/government/publications/industrial-strategy-building-a-britain-fit-for-the-future](http://www.gov.uk/government/publications/industrial-strategy-building-a-britain-fit-for-the-future).

<sup>47</sup> See [www.gov.uk/government/publications/industrial-strategy-the-grand-challenges/industrial-strategy-the-grand-challenges](http://www.gov.uk/government/publications/industrial-strategy-the-grand-challenges/industrial-strategy-the-grand-challenges).

<sup>48</sup> See [www.officeforstudents.org.uk/news-blog-and-events/press-and-media/funding-boost-for-new-courses-in-artificial-intelligence-and-data-science/](http://www.officeforstudents.org.uk/news-blog-and-events/press-and-media/funding-boost-for-new-courses-in-artificial-intelligence-and-data-science/).

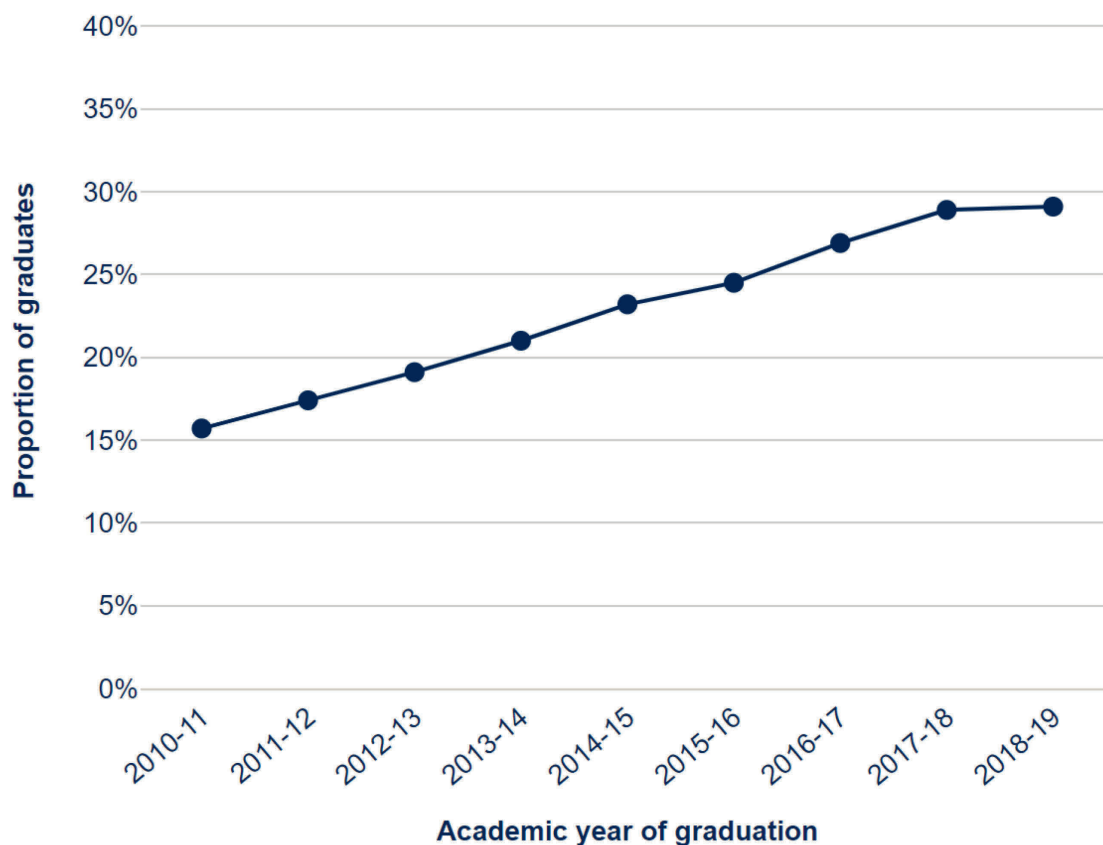
or students from marginalised backgrounds and preparing graduates to succeed in local industries. We are working with the projects to identify and share effective practice.

**Strategic outcome O3:** Qualifications hold their value over time, and students are able to use them long after leaving higher education.

## Degree classifications

Our July 2019 publication of trends in degree classification attainment showed that the proportion of UK-domiciled full-time first-degree graduates attaining a first-class degree from providers registered in England increased from 16 per cent in academic year 2010-11 to 29 per cent in 2017-18.<sup>49</sup> The latest data for 2018-19 indicates that the year on year increases in the proportion of first-class degrees have stalled.

### Students achieving first-class degrees



**Source:** Individual student data from HESA and ILR.

In July 2019 we wrote to a number of providers requesting further information in order to help us better understand the reasons for the most significant increases in awards of first-class degrees. We intend to publish the findings of our enquiries later in the year. We remain aware that grade inflation risks undermining public confidence in higher education for

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

students, graduates and employers alike, and will, as necessary, continue to take action to address it.

## Value for money

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

**Strategic outcome V1:** Higher education delivers value for students, graduates, taxpayers and employers, especially in the form of positive student outcomes.

We have a statutory duty 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, ensure a high-quality student experience, and achieve successful student outcomes.

In October 2019 we published our value for money strategy. The strategy sets out our principles for addressing value for money:

- We ensure a minimum level of protection for students through our registration process, which ensures a baseline for value for money on which students and taxpayers can rely.
- We encourage competition by our regulation, which encourages autonomous providers to respond to student needs.
- We help students to make the right choices about what and where to study.
- We make sure that providers do not charge fees that exceed the maximum levels allowed.<sup>50</sup> These limits are set by the government, which also decides the terms of the student finance system.
- We focus on the outcomes we expect of providers rather than prescribing how these should be achieved. This means providers are free to define their own missions, strategies and approaches.
- We improve transparency so that providers are open about value for money for students and taxpayers.
- We ensure fairness by checking whether particular groups of students, such as black, Asian and other minority ethnic students, or students from low-participation areas, are not receiving the value for money secured by their peers, and act to close gaps (for example, we have key performance measures in relation to participation at higher tariff providers or degree classifications attainment).

---

<sup>50</sup> See [www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/access-and-participation-plans/fee-limits/](http://www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/access-and-participation-plans/fee-limits/).

- We protect taxpayers by monitoring employment outcomes to check that students are leaving with the skills and knowledge that employers need, and that contribute to national and local economies. We also make sure that public investment in higher education leads to public benefits that cannot be achieved solely by providers responding to student choice – for example, by providing funding to protect specialist provision.
- We use the funding we distribute as a regulatory tool to support social and economic priorities – such as access, participation and progression for disadvantaged students – and the aims identified in the government’s Industrial Strategy.

We measure our performance against our value for money objective by asking students and graduates about their views. This allows us to monitor progress without imposing our own definition on students, as value for money means different things to different people. We know from our own and from other surveys that many students feel they do not receive value for money for their higher education, and that their perceptions of value for money differ from those of their university or college.

### **Patterns and trends in financial sustainability and viability**

Higher education providers submit an annual financial return to the OfS that includes financial and student number forecasts over a five-year period. The deadlines for submission of these annual financial returns relate to the date of the financial year end of each provider, and so the financial data held by the OfS for some providers will be a variety of ages. In January and February 2020, 194 higher education providers submitted financial data relating to their 31 July and 31 August 2019 year ends, and forecasts to academic year 2023-24. This is the point of the year where the combined sector data is usually the most up to date. It should be noted that higher education providers in this analysis exclude further education colleges providing higher education, whose financial regulator is the Education and Skills Funding Agency, from which we receive financial information.

None of the forecasts collected from providers in January and February 2020 included assumptions about the impact of coronavirus. There are a range of significant risks arising from this global threat. We recognise that dependency on fee income from overseas students is just one area likely to be significantly impacted. We paused work on our annual financial sustainability report to allow greater understanding of what is happening with the finances of providers as a result of the pandemic.

### **Senior pay**

As part of our duty to take into account the value for money higher education providers offer for the public money they receive, we collect and publish detailed statistics about senior staff pay. Our analysis of data on senior staff pay for the academic year 2018-19 shows that 1.7 per cent of staff in the English sector received a basic salary of more than £100,000 in 2018-19 (this was 1.5 per cent in 2017-18).<sup>51</sup> The proportion of staff paid over £100,000 in basic salary increased in 82 providers and decreased in 47, with six providers reporting no

---

<sup>51</sup> See <https://www.hesa.ac.uk/data-and-analysis/finances/statements/senior-pay>.

change. The mean basic salary for heads of providers increased by 0.2 per cent from the previous year. Mean total remuneration for heads of providers increased 0.3 per cent.

## **Funding in support of our regulatory objectives**

Tuition fees charged to students are the most significant source of funding for teaching, but are not the only source. During the 2019-20 academic year we are allocating funding for teaching-related purposes to providers in England that are registered with us in the Approved (fee cap) category. More providers are eligible to receive these funds: as of the end of March 2020, we are funding 327 providers for the 2019-20 academic year compared with direct funding of 315 providers in the previous academic year. These grants do not fully meet providers' 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 help fund subject areas where teaching costs are particularly high (such as science, engineering and medicine).

For academic year 2019-20 we expect to distribute total funding of £1,423 million, but this is subject to change, including in response to the coronavirus outbreak. Of the total, we expect to distribute £1,303 million to providers through our recurrent teaching funding streams and £100 million in capital funding.

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 22.

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 2019-20 is available on our website.<sup>52</sup>

---

<sup>52</sup> See [www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/annual-funding/recurrent-funding/](http://www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/annual-funding/recurrent-funding/).

## Corporate performance

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

**Strategic outcome EF1:** the OfS is a well-managed and appropriately structured organisation, which supports and develops its staff to enable delivery of its objectives.

**Strategic outcome EF2:** the OfS has the right systems and process infrastructure and resources to support delivery of its objectives.

### Organisational change

In our second year of operation 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. As we have matured as an organisation, we have a better sense of how long different regulatory activities take to complete. During this operating year we revisited our business plans to take account of this, but the coronavirus crisis required greater prioritisation of activity, taking account of the reduced staff capacity at providers and the OfS.

Through our transformation programme, we are rolling out a staff learning and development programme, 'OfS Essentials'. As part of this, in January 2020 we refreshed our online training resource to better meet our needs.

We made organisational changes to align our staff teams working on harassment and student mental health more closely with those working on our statutory responsibilities in relation to access and participation and the Public Sector Equality Duty, and to bring our work on the Prevent duty more closely in line with our broader provider-level regulatory activity. We deployed staff flexibly to assist with the heavy workload generated by the registration process, and during this period released staff to monitoring and intervention functions.

We made good progress on the adoption of new technologies to deliver the platform necessary for our monitoring and intervention work. A major technology programme ended in December 2019, and a further programme of work over the coming months will help us to realise the full benefits of these investments.

### People

We encourage people of all backgrounds and identities to apply to work at the OfS. Our Equality, Diversity and Inclusion Strategy contains targets to help us create a more diverse workforce. We have a strong commitment to staff wellbeing, and our policies and procedures are designed to promote a fair, safe and inclusive working environment. The people section of the Accountability Report provides more information about progress this year.

The OfS People Survey ran during February 2020 and mirrored the Civil Service People Survey questions, with all staff being invited to respond. There was an 85 per cent response rate and results gave an in-depth understanding of staff satisfaction and engagement. The data which was collected informs two of our KPMs:

- **KPM 22:** OfS staff survey results on the extent to which staff understand and feel they contribute towards the OfS's strategic objectives

The engagement score with organisational objectives and purpose was 78 per cent. This is a good result but is 5 per cent lower than the 2019 Civil Service People Survey average of 83 per cent.<sup>53</sup>

- **KPM 23:** OfS staff survey results on employee engagement

Overall, the employee engagement index score was 55 per cent, which is lower than the 2019 Civil Service People Survey average of 63 per cent.<sup>54</sup>

We faced a substantial amount of change in the set-up phase of the OfS, and we are confident that as our teams, functions and roles settle, we will see increases in engagement, but we intend to reflect on the feedback received and plan our response. Other survey questions were positive, particularly in relation to team working throughout the organisation.

### **Internal value for money (VfM) strategy**

We have an internal VfM strategy which involves continuous review across all our resources (staff, office space, IT, procurement and contract management). To ensure regular focus on value for money by senior management, we are developing a VfM scorecard – and continue to add indicators to this. We intend to publish our approach to delivering VfM within the OfS and our 2019-20 FY performance against a range of indicators by autumn 2020.

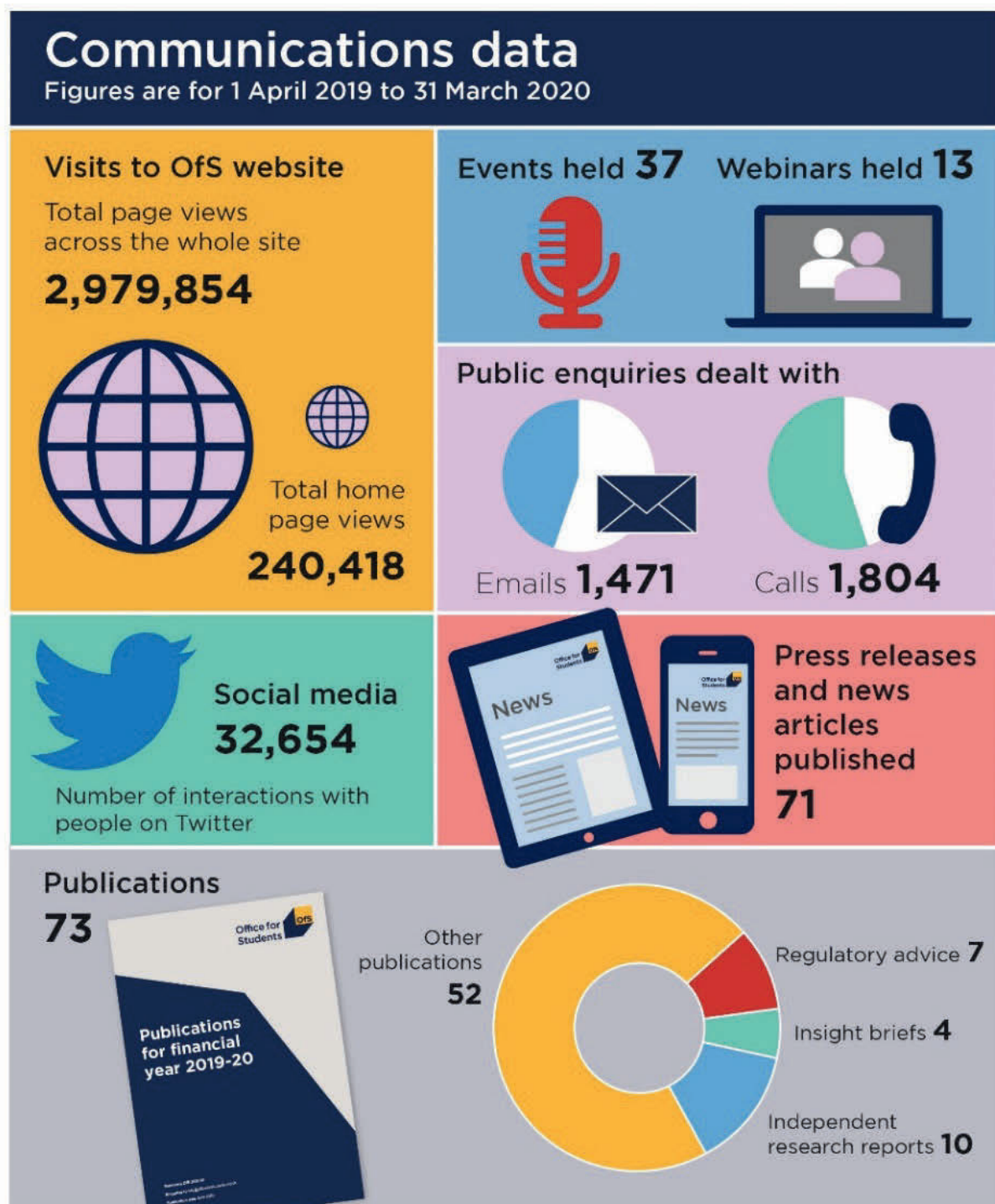
---

<sup>53</sup> The OfS's results from our February 2020 survey were compared to those from the Civil Service People Survey which took place between October and November 2019. See <https://www.gov.uk/government/publications/civil-service-people-survey-2019-results>.

<sup>54</sup> The employee engagement score is derived from five questions measuring pride, advocacy, attachment, inspiration and motivation. The employee engagement index is calculated as a weighted average of the responses. A score of 0 per cent represents all respondents giving a rating of 'strongly disagree' to all five questions. A score of 100 per cent represents all respondents giving a rating of 'strongly agree' to all five questions.

## Communications

Our communications are central to our regulatory role. Transparent and clear publication of information and media coverage can have more impact in pursuing regulatory objectives than formal interventions, and certainly complement the impact of more formal guidance and requirements. This year we widened our social media presence to support our messaging to students and IAG work, and we responded to 15 per cent more public enquiries than in the 2018-19 operating year.





## European Union (EU) exit

The OfS has not been directly affected by the UK's decision. To support higher education students our website includes advice to UK nationals on study in the European Union after the end of the transition period, and advice for EU nationals studying in the UK, linking to government sources of advice.

## Social matters, respect for human rights, anti-corruption and bribery

As a public body we must operate in a way that is compatible with the Human Rights Act 1998, including the right for people to be free from slavery and forced labour. This year we earned the Corporate Ethics Mark from the Chartered Institute of Procurement and Supply, which shows that that we are committed to accountability and self-governance and that our procurement team is trained in ethical procurement and supplier management. All staff must follow the 'Nolan' seven principles of public life and comply with our policy on prevention of bribery, fraud and improper conduct.

**Strategic objective EF3:** Regulatory burden for providers is minimised.

Regulatory burden is a challenge for every regulator. Regulation inherently requires burden, but our task is to distinguish that which is necessary in the student interest from that which may be superfluous. We are mindful of the need to make sure our processes are efficient and effective, so as to minimise the impact on providers as far as possible.

To understand and measure the burdens of our regulation, we plan to map provider interactions with us to help us understand the impact of our regulatory activities on individual providers, and different types of providers. We are scoping this work with sector stakeholders.

In response to the coronavirus outbreak, to reduce burden on providers we reduced reporting requirements. Our primary focus became identifying and managing short-term financial risk for providers and protecting students' interests. Providers were required to report on issues of acute short-term financial risk, where they ceased or suspended courses without providing equivalent alternative study options or where they were unable to award qualifications or credit as they had planned.<sup>55</sup>

---

<sup>55</sup> See [www.officeforstudents.org.uk/news-blog-and-events/press-and-media/office-for-students-sets-out-slimmed-down-regulatory-requirements-during-coronavirus-pandemic/](http://www.officeforstudents.org.uk/news-blog-and-events/press-and-media/office-for-students-sets-out-slimmed-down-regulatory-requirements-during-coronavirus-pandemic/).

## Our principal strategic risks during the 2019-20 operating year

Description of risk	Mitigating actions
<p><b>Regulation</b></p> <p>As a result of the complexity of the regulation role and the lack of experience as a regulator, there is a risk that the OfS fails to use its regulatory levers or makes incorrect or incoherent decisions, or that the regulation process is inefficient.</p> <p>This would lead to confusion in the sector, a detrimental impact on providers and students, and public criticism of the OfS.</p>	<p>In 2019-20 significant resource was dedicated to the provider registration process – a major programme of work which is now largely complete. Unanticipated extra demands resulting from large numbers of incomplete and poor quality applications added to an already challenging timescale and contributed to an extended registration timescale for many providers.</p> <p>Further significant resource was needed to deal with submissions from providers required to take mitigating actions as a result of their initial registration decision.</p> <p>Mitigating actions include the effective operation of our registration framework and effective functioning of our Provider Risk Committee, and learning lessons about the strengths and weaknesses of our approach following the successful judicial review outcome.</p> <p>We also hired temporary project resource to help design new monitoring and assessment systems and processes.</p> <p>Our Quality Assessment Committee is monitoring the performance of the QAA against the agreed KPMs; constructive and positive discussion is taking place with senior QAA staff about the OfS’s requirements, but there have been delays to the OfS’s regulatory decisions where those decisions are reliant on the QAA’s quality and standards reports.</p> <p>HESA’s Data Futures programme faced significant delivery issues which impact on onward delivery to the OfS. Following identification of a way forward, in March 2020 the OfS board agreed funding for a first phase of a revised project building on knowledge and experience gained from the first project. Funding is for the period March to September 2020.</p>

Description of risk	Mitigating actions
	<p>HESA has announced its intention to deliver in-year data from academic year 2023-24 and published a detailed specification for this.</p>
<p><b>Participation</b></p> <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 a risk that the OfS fails to have a material impact on access and participation for underrepresented groups.</p> <p>This would lead to a lack of progress in closing gaps in access, success and progression at providers, and criticism of the OfS's effectiveness.</p>	<p>Following publication of regulatory and good practice access and participation guidance, we engaged extensively with providers during 2019-20 to help them understand our expectations for 2020-21 to 2024-25 access and participation plans.</p> <p>Our monitoring requirements reflect risks for each individual provider.</p> <p>We conducted an outcome analysis to identify where further work is needed and where other interventions such as strategic funding could be used to support our access and participation priorities.</p>
<p><b>Provider</b></p> <p>Because of poor governance and management by providers, potentially outside the OfS's control, there is a risk that a provider exits the market in an unplanned way.</p> <p>This would impact on student outcomes and experience and builds a perception of the OfS not regulating effectively.</p>	<p>Higher education providers are operating in a volatile environment, with demographic and financial challenges.</p> <p>Mitigating actions included proactive monitoring of registration conditions, effective planning for early interventions, and development of better protections for students.</p>
<p><b>Student experience</b></p> <p>Because of the nature of the OfS's regulatory role set out in HERA and the regulatory framework, together with government decisions on TEF and funding, there is a risk that the OfS is unable to improve the student experience in areas that are most important to students.</p> <p>This would mean that the OfS is unable to deliver the student experience goals within the OfS strategy, leading to a less good</p>	<p>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 we place on providers.</p> <p>Mitigating actions include developing plans for the next phase of the TEF; the conditions of registration imposed around student outcomes; new regulatory measures to combat harassment and sexual misconduct; establishment of the Disabled Students' Commission; and proactive monitoring of ongoing conditions.</p>

Description of risk	Mitigating actions
<p>experience for students and reduced credibility of the OfS with students.</p>	<p>Additionally, we work in partnership with a number of other organisations to promote student safeguarding and wellbeing.</p>
<p><b>Political</b></p> <p>There is a risk that diverse political views in relation to the higher education sector, including funding and fees, or of a change in government policy or of government, could alter the role of the OfS as a regulator for higher education.</p> <p>This may significantly change the remit of the OfS and might lead to less effective regulation of the sector.</p>	<p>We demonstrate our effectiveness in protecting student interests.</p> <p>We engage across the political spectrum and with the DfE and other government departments.</p> <p>To support understanding of our role and objectives, our spokespeople give interviews and background briefings and work with journalists to support coverage of our briefings and events.</p> <p>We worked with the government to alleviate some of the burdens of the regulatory framework on providers during the coronavirus pandemic, and to agree with the government and other bodies how to protect the student interest in areas such as admissions and the regulation of quality and standards during the period of disruption.</p>
<p><b>Security</b></p> <p>As a result of inadequate systems and processes, coupled with an increasing external security threat, there is a risk that the OfS could experience a significant breach of physical, data or information security.</p> <p>This could lead to harm to students, higher education providers, employees or other parties. It might also lead to criticism, loss of trust and increased external scrutiny, which could result in financial and legal liability for the OfS.</p>	<p>The OfS is certified as meeting the requirements of the cybersecurity 'Essentials plus' scheme.</p> <p>Our internal auditors reviewed the maturity of our cybersecurity programme arrangements in spring 2020, following up a benchmarking review in May 2019. The conclusion of the follow-up review was that considerable progress had been made, although some medium priority recommendations remain. We have committed to address these.</p> <p>An OfS Information Security and Data Protection Steering Group oversees arrangements and monitors progress on actions and key measures.</p> <p>OfS staff are trained to be alert to threats and to comply with information security policy and procedures.</p>

Description of risk	Mitigating actions
	<p>There are procedures in place to manage the risk of protected personal data-related incidents.</p> <p>This year senior managers took part in a series of business continuity scenarios to test the OfS's ability to respond to a significant information security issue.</p>
<p><b>Capability</b></p> <p>As a result of the need to ensure the OfS transforms its skills and capability to deliver its functions and evolve its culture, and the need to align its staff resources to strategic priorities, there is risk that we are unable to develop and maintain sufficient people capability to respond to the challenges faced including dealing with multiple cases requiring regulatory action.</p> <p>This would lead to a failure to deliver against the organisation's powers, and public criticism.</p>	<p>A number of roles in specialised areas were difficult to recruit to. However, good progress was made in filling vacancies throughout the OfS.</p> <p>We implemented a major learning and development strategy to enhance the skills of OfS staff in line with our priorities.</p> <p>All staff are required to have learning and development plans.</p> <p>We are continuing to focus on improving the diversity of our workforce.</p> <p>Our investments in technology allowed our staff to move to remote working when the coronavirus outbreak struck.</p>
<p><b>Transformation</b></p> <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>	<p>A transformation programme is in place to ensure the OfS is fit for purpose. This includes a set of values and behaviours; a focus on equality, diversity and inclusion; sharing knowledge and information; and a learning and development programme.</p> <p>A technology development programme provided a range of new products to enable organisational effectiveness. Work is in train to implement a customer relationship management system and a new secure digital portal for providers.</p>

Description of risk	Mitigating actions
<p><b>Finance</b></p> <p>As a result of the pressures to deliver significant and complex work alongside pressures on expenditure, there is a risk of insufficient administration funding to deliver priorities and efficiencies.</p> <p>This would lead to financial instability or inability to carry out priority tasks.</p>	<p>We ended the year in a sound financial position. During 2019-20 we effected a shift from central government funding to being predominantly funded by provider registration fees – a legal requirement which provides a substantial degree of certainty to income. Further information can be found in Note 2: Operating segments.</p> <p>We undertook an early budgeting exercise to ensure greater accuracy and alignment with 2020-21 business planning.</p> <p>We are developing a more rigorous and transparent approach to costing and cost-effectiveness.</p>

# Financial performance

## Funding and expenditure

In delivering the strategic objectives, the OfS received a total of £1,459 million (2018-19: £1,430 million) of grant funding from the DfE. Grant-in-aid is treated as financing and taken directly to reserves.

Section 70 of the HERA 2017 makes provision for the OfS to charge providers an annual fee for their registration in the Register of English higher education providers. These powers came into force on 1 August 2019, resulting in the OfS receiving £17.5 million (2018-19: nil) in registration fee income to support administration costs.

Total expenditure in year was £1,481 million (2018-19: £1,445 million). Of this, £28.0 million (2018-19: £27.5 million) relates to administration, and £1,453 million (2018-19: £1,417 million) relates to programme funds.

In line with our strategy, we aim to provide as much of our grant funding as possible through core block allocations for recurrent teaching, as the most efficient means of distributing funding to the sector. In addition to recurrent grants we provide specific funding for national initiatives, as well as capital funding to support the sustainability of the higher education system. Grant funding was distributed to the sector on an academic year basis (1 August to 31 July). Funding allocations are announced to the sector annually. More details can be found on the OfS's website.<sup>56</sup>

The administration cost budget (including registration fee levels) is agreed with the sponsoring department each year, and performance against budget is monitored and reported each month.

## Performance against financial target in-year

At 31 March 2020 the Statement of Financial Position shows net assets of £14.5 million (2019: £17.9 million).

In resource terms the OfS aims to distribute all funding received from the DfE in-year; to achieve this, the framework agreement with DfE recognises that it may not always be possible to match receipts and payments exactly within a year, and so allows for a cash carry-forward at year end. At 31 March 2020 our cash balance was £14.9 million (2018-19: £7.6 million). This balance also includes £6.6 million (2018-19: nil) of registration fee income which is deferred to 2020-21 in line with International Financial Reporting Standard 15.

The OfS is fully committed to the prompt payment of suppliers and aims to pay all valid invoices as soon as possible. The OfS supports the Better Payment Practice Code<sup>57</sup> which targets payment within 30 days, and monitors performance in-year against this target. To balance the desire to pay creditors promptly against the need to maintain effective internal

---

<sup>56</sup> See [www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/annual-funding/](http://www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/annual-funding/).

<sup>57</sup> See [www.payontime.co.uk/](http://www.payontime.co.uk/).

controls, the OfS also monitors performance against 10-day and five-day measures. The following table shows an analysis of invoices paid against targets.

	2019-20	2018-19
5 days	88.4%	89.6%
10 days	94.4%	96.6%
30 days	99.4%	99.1%

At 31 March 2020 the trade payables balance (the amount owing to our suppliers) was £0.2 million (2018-19: £0.3 million). During 2019-20 performance will continue to be monitored against such measures and benchmark information will be used to drive continuous improvement in financial management processes.



# Performance analysis

This performance analysis reports on our progress in 2019-20 against the 13 strategic outcomes that underpin our five strategic objectives. All of our strategic objectives are reflected in and delivered through our work to register and monitor providers, making interventions where necessary. In this way, we protect the interests of students before, during and after their higher education experience. We have not explicitly referenced this work against each strategic objective in the table below, but it should be taken as read. A number of the other activities described in this table relate to our sector-level activity to support continuous improvement in teaching, learning and the student experience through effective practice and strategic investment.

Strategic outcome	Delivery in 2019-20
<p><b>Participation</b></p>	<p><b>P1</b> Access, success and progression are not limited by background and identity, and gaps are significantly reduced.</p> <ul style="list-style-type: none"> <li>• We have received over 240 access and participation plans submissions for the academic years 2020-21 to 2024-25. As of 31 March 2020, 224 plans have been approved by the Director for Fair Access and Participation. All remaining plans are still being addressed. No plans have yet been refused.</li> <li>• Regulatory interventions for condition A1 (access and participation plans) were applied to the majority of providers. As of October 2019, 90 providers were placed under enhanced monitoring, 14 plans were not approved for the full five-year period, and 79 providers received formal communications.</li> <li>• We monitored 102 2018-19 access and participation agreements. However, as we have no legal remit over access agreements and this process coincided with the coronavirus outbreak, this monitoring is for internal purposes only.</li> <li>• We launched phase two of the Uni Connect programme (January 2020).</li> </ul> <p>For more information, see page 16 of the Performance summary.</p>

Strategic outcome	Delivery in 2019-20
<p><b>P2</b> All access and participation activity is underpinned by evidence and 'what works'.</p>	<ul style="list-style-type: none"> <li>• We funded the establishment of a new access and participation 'what works' centre.</li> <li>• We developed enhanced web resources on evaluation and effective practice, including a tool to support evaluation of financial support investments in access and participation.</li> <li>• We published research on the use of data in access and participation work.</li> <li>• With Research England, we worked jointly to launch a competition for projects to increase access and participation for black, Asian and minority ethnic groups in postgraduate research, but this was paused due to the coronavirus outbreak.</li> </ul> <p>For more information, see page 20 of the Performance summary.</p>
Experience	
<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>	<ul style="list-style-type: none"> <li>• We launched Discover Uni, a new online information resource for prospective higher education students (September 2019).</li> <li>• We published the 2019 NSS results. For the first time, they were presented in data visualisations.</li> <li>• We explored options for expanding the NSS to include students across all years of study, including new survey questions for first and second year students. We planned to launch a pilot on expanding the survey to students on one-year courses in March 2020, and prepared to consult on new survey questions on student mental health and safeguarding. Both activities were paused due to the coronavirus outbreak.</li> <li>• We ran a pilot survey for English taught postgraduate students.</li> <li>• We established the Disabled Students' Commission to advise, inform and influence higher education providers to improve support and consequently students' experience and outcomes.</li> </ul>

Strategic outcome	Delivery in 2019-20
<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>	<ul style="list-style-type: none"> <li>• We gathered information about existing student transfer practices with a view to further developing our approach to this. Our work to publish data on student transfers was delayed due to coronavirus crisis.</li> </ul> <p>For more information, see page 22 of the Performance summary.</p> <ul style="list-style-type: none"> <li>• 394 providers were registered with the OfS as of 31 March 2020 and are now subject to ongoing monitoring.</li> <li>• As of 31 March 2020, we had taken final decisions to refuse 25 registration applications.</li> <li>• We defended our decision to refuse a registration application and in March 2020 the High Court ruled that we had acted entirely within the law in doing so.</li> <li>• We published an analysis on variations in the experience of underrepresented groups of students of higher education, based on NSS data.</li> <li>• In June 2019 we announced funding for a network of 10 collaborative student mental health projects with a combined overall investment of over £14 million across 24 months. The projects submitted two interim reports to the independent evaluator that we appointed.</li> <li>• In March 2020 we launched a second phase of investment in student mental health on behalf of the Department of Health and Social Care.</li> <li>• In January 2020 we published proposals on the use of our regulatory powers to encourage providers to prevent and respond effectively to reports of harassment and sexual misconduct on campus, although our consultation on this was paused in March 2020 because of the coronavirus outbreak.</li> <li>• We evaluated the revised Prevent monitoring framework in consultation with the sector and key stakeholder groups and began work to address areas for improvement identified by the evaluation.</li> </ul>

Strategic outcome	Delivery in 2019-20
	<p>We assessed annual provider reports on Prevent-related activity in academic year 2017-18, communicated the outcomes to individual providers, and published a sector-level analysis. We conducted a programme of 35 Prevent review visits.</p> <p>For more information, see page 25 of the Performance summary.</p>
<p><b>E3</b> Students' knowledge and skills are improved during their higher education experience.</p>	<ul style="list-style-type: none"> <li>• In June 2019 we completed Year Four TEF assessments for 78 providers. The total number of higher education providers across the UK now in receipt of a TEF award is 282, with 76 providers receiving a Gold award, 132 Silver and 60 Bronze.</li> <li>• We published research on male participation in nursing and allied health profession education and continued to support the Strategic interventions in health education disciplines programme.</li> </ul> <p>For more information, see page 25 of the Performance summary.</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>	<ul style="list-style-type: none"> <li>• We 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.</li> <li>• We worked to ensure that over 3,500 students were offered alternative courses or able to complete their course after a large unregistered provider in London went into administration in July 2019 and subsequently closed.</li> <li>• In March 2020 we worked closely with central government and the DfE to put in place our response to the coronavirus crisis, including identifying and managing short-term financial risk for providers and protecting students' interests. We introduced slimmed-down regulatory requirements to reduce burden, and required providers to make all reasonable efforts to enable students to complete their studies, for achievement to be reliably assessed, for qualifications to be awarded securely, and to enable a fair and robust admissions process for 2020-21 entrants.</li> </ul> <p>For more information, see page 25 of the Performance summary.</p>

Strategic outcome	Delivery in 2019-20	
<b>Outcomes</b>		
<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>	<ul style="list-style-type: none"> <li>• In May 2019 we announced successful bids for our £5.6 million Challenge Competition to support employment outcomes for local students and graduates.</li> <li>• In October 2019 we launched a £13 million competitive funding programme on behalf of the Department for Digital, Culture, Media and Sport and the Office for Artificial Intelligence, to support the development of postgraduate conversion courses in AI and data science. In April 2020 we announced that 18 projects had been awarded funding across a range of universities in England.</li> <li>• We continued to support the Institute of Coding to upskill and retrain people in new technologies such as cybersecurity and artificial intelligence. In 2019-20 we provided the third and final year of our £20 million investment.</li> <li>• We published research on the recruitment of mature students to higher education health-related courses.</li> <li>• With Health Education England, the Department of Health and Social Care and NHS England and Improvement we contributed to the development of the NHS People Plan.</li> </ul> <p>For more information, see page 28 of the Performance summary.</p>	
<p><b>O2</b> Students' lives are improved and enriched by their time in higher education.</p>	<ul style="list-style-type: none"> <li>• This strategic outcome is at the heart of our work: the 24 conditions in our regulatory framework are intended to give assurance to students that a provider meets baseline requirements across a series of aspects.</li> </ul> <p>For more information, see page 12 of the Performance summary.</p>	
<p><b>O3</b> Qualifications hold their value over time, and students are able to use</p>	<ul style="list-style-type: none"> <li>• In April 2020 we updated our KPM showing the percentage of students attaining first-class degrees, which showed that the percentage of 1sts awarded in 2018-19 remained at the same level as in 2017-18.</li> </ul>	

<b>Strategic outcome</b>	<b>Delivery in 2019-20</b>
them long after leaving higher education.	For more information, see page 31 of the Performance summary.
<b>Value for money</b>	
<b>V1</b> Higher education delivers value for students, graduates, taxpayers and employers, especially in the form of positive student outcomes.	<ul style="list-style-type: none"> <li>• Our value for money strategy was published in October 2019.</li> <li>• We analysed data on sector senior staff remuneration for academic year 2018-19. This showed evidence of pay restraint in relation to increases compared to the previous year. For more information, see page 32 of the Performance summary.</li> </ul>
<b>Efficiency and effectiveness</b>	
<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.	<ul style="list-style-type: none"> <li>• We developed and launched a new staff learning and development programme.</li> <li>• We analysed our diversity data for staff and agreed six ambitious aspirational targets to enable us to realise the benefits of a diverse and inclusive workforce.</li> <li>• We implemented organisational changes to better align our functions and create more flexibility to move resource within directorates.</li> <li>• We earned the Corporate Ethics Mark from the Chartered Institute of Procurement and Supply, which shows that that we are fully committed to accountability and self-governance and that our team is trained in ethical procurement and supplier management.</li> </ul> <p>For more information, see page 35 of the Performance summary.</p>

Strategic outcome	Delivery in 2019-20
<p><b>EF2</b> The OfS has the right systems and process infrastructure and resources to support delivery of its objectives.</p>	<ul style="list-style-type: none"> <li>• We completed a major programme of investment in technology and data platforms to support our regulatory activity.</li> <li>• We continued to invest to mitigate the increasing risks associated with information and cybersecurity. We are certified as meeting the expected requirements of the 'Cyber essentials plus' scheme.</li> </ul> <p>For more information, see page 35 of the Performance summary.</p>
<p><b>EF3</b> Regulatory burden for providers is minimised.</p>	<ul style="list-style-type: none"> <li>• We implemented a more strategic, risk-based approach to access and participation plans. From the 2020-21 academic year, most plans will cover a five-year period.</li> <li>• We announced a review to help us assess the impact of our regulatory activity on individual providers.</li> <li>• We put in place new processes to streamline our communications with providers.</li> <li>• We published new guidance on reportable events to give greater clarity to providers on our requirements, and following the coronavirus outbreak, refined our requirements for reportable events. We limited our information requirements to take account of the demands on providers at this time.</li> </ul> <p>For more information, see page 38 of the Performance summary.</p>

# Sustainability report

The OfS is 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 to contribute towards our strategic objectives. We are assessing our environmental impact, including benchmarking against other organisations with similar size and function, and developing targets for future emissions reductions and other sustainability improvements.

The OfS's estate comprises 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 relating to grid loss from the transmission and distribution of our electricity usage, and emissions arising from all business travel under our budgetary control. Our analysis of data follows the Department for Environment, Food and Rural Affairs' (Defra's) environmental reporting guidance.<sup>58</sup>

## Accounting policies for non-financial data

When compiling this report, complete data for the final quarter of financial year 2019-20 was not available, so data was 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.<sup>59</sup>

## Water and energy consumption

The report on our consumption of water and energy (finite resources) combines available data for our Bristol and London offices. The OfS shares its Bristol offices (Dominions House) with Research England (RE), and we are unable to separate usage with sub meters. Therefore, we have collected data at a whole building level and reported on behalf of all occupiers in line with treasury guidance.<sup>60</sup> We also share our offices (Nicholson House) with a private sector sub-tenant, and we use a proxy measure whereby half of the metered water in that building is ascribed to them. All water consumption from our other buildings is

---

<sup>58</sup> See <https://www.gov.uk/government/publications/environmental-reporting-guidelines-including-mandatory-greenhouse-gas-emissions-reporting-guidance>.

<sup>59</sup> See <https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting>.

<sup>60</sup> See <https://www.gov.uk/government/publications/public-sector-annual-reports-sustainability-reporting-guidance-2019-to-2020>.



attributed to the OfS's use. As our water consumption is reported per FTE staff, we include OfS and RE staff FTE in the calculation of our water consumption.

## OfS finite resource consumption and expenditure

	Unit	2018-19	2019-20
Water*	Cubic meters (m <sup>3</sup> )	6.92	6.62
	£000	10	10
Electricity	Megawatt-hours	443	452
	£000	81	81
Gas	Megawatt-hours	508	495
	£000	15	17
<b>Total utilities</b>	<b>£000</b>	<b>106</b>	<b>108</b>

\*Consumption per OfS and RE staff FTE

## Greenhouse gas emissions

We have compared our performance to the preceding year, which was our first year of operation. We will continue to use previous years' data to benchmark performance and aim for continuous improvement in line with the current Greening Government Commitments 2016 to 2020.<sup>61</sup> We have recently changed to a green energy tariff with 100 per cent renewable electricity supply, and we are reviewing our domestic flight policy to reduce travel in this area where possible.

## OfS greenhouse gas emissions

	Unit	2018-19	2019-20
Total gross emissions for Scope 1* (direct emissions)	Tonnes of CO <sub>2</sub> e	94	91
Total gross emissions for Scope 2* (energy indirect)		125	115
Total gross emissions for Scope 3 (other indirect)		98	75
<b>Total emissions</b>		<b>317</b>	<b>281</b>
<b>Carbon intensity (per £ million expenditure**)</b>		<b>11</b>	<b>9</b>

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

\*\* We have not included our grant funding activity.

<sup>61</sup> See <https://www.gov.uk/government/publications/greening-government-commitments-2016-to-2020/greening-government-commitments-2016-to-2020>

## Business travel

	Unit	2018-19	2019-20
Car	£000	15	18
Taxi		17	10
Rail		544	374
Air		10	14
<b>Total business travel</b>	<b>£000</b>	<b>586</b>	<b>416</b>
	<b>Tonnes of CO<sub>2</sub>e</b>	<b>87.7</b>	<b>65.3</b>
<b>Travel carbon intensity per FTE</b>	<b>Tonnes of CO<sub>2</sub>e</b>	<b>0.24</b>	<b>0.17</b>

## Breakdown of OfS greenhouse gas emissions from air travel

	Unit	2018-19	2019-20
Number of flights		79	81
Domestic flights	Tonnes of CO <sub>2</sub> e	9.5	8.3
Short-haul international		1.3	0.7
Long-haul international		3.8	8.7
<b>Total emissions</b>	<b>Tonnes of CO<sub>2</sub>e</b>	<b>14.6</b>	<b>17.7</b>

Some arrangements continue to be shared across the UK, such as oversight of higher education quality assessment arrangements and student information data requirements, and this UK-wide work necessitated some domestic flights.

## Waste

There are concerns about the accuracy of data reported in 2018-19, due to the information provided by the previous contractor on volumes and weights of waste. We believe that 2019-20 provides a more accurate indicator of our levels of output. It should be noted that our paper waste weight (which contributes to the recycled at source figures) is based on group averages from the local operating area of the contractor.

Waste arising from our shared Bristol site cannot be all attributed directly to the OfS or our private sector sub-tenant. We have attributed 25 per cent of the waste and recycling figures to them (this tenant is operational 24 hours a day so this approximation may be conservative).

## OfS waste

	Unit	2018-19	2019-20
Waste to landfill*	Tonnes	2.06	6.71
	£000	4	3
Waste recycled at source	Tonnes	19.48	13.12
	£000	3	6
<b>Total waste</b>	<b>Tonnes</b>	<b>21.54</b>	<b>19.83</b>
	<b>£000</b>	<b>7</b>	<b>9</b>
<b>Total waste recycled at source</b>	<b>Percentage (%)</b>	<b>90</b>	<b>66</b>
<b>Waste intensity per FTE</b>	<b>Kg</b>	<b>60</b>	<b>51</b>

\* Assumes the provider recycles none.

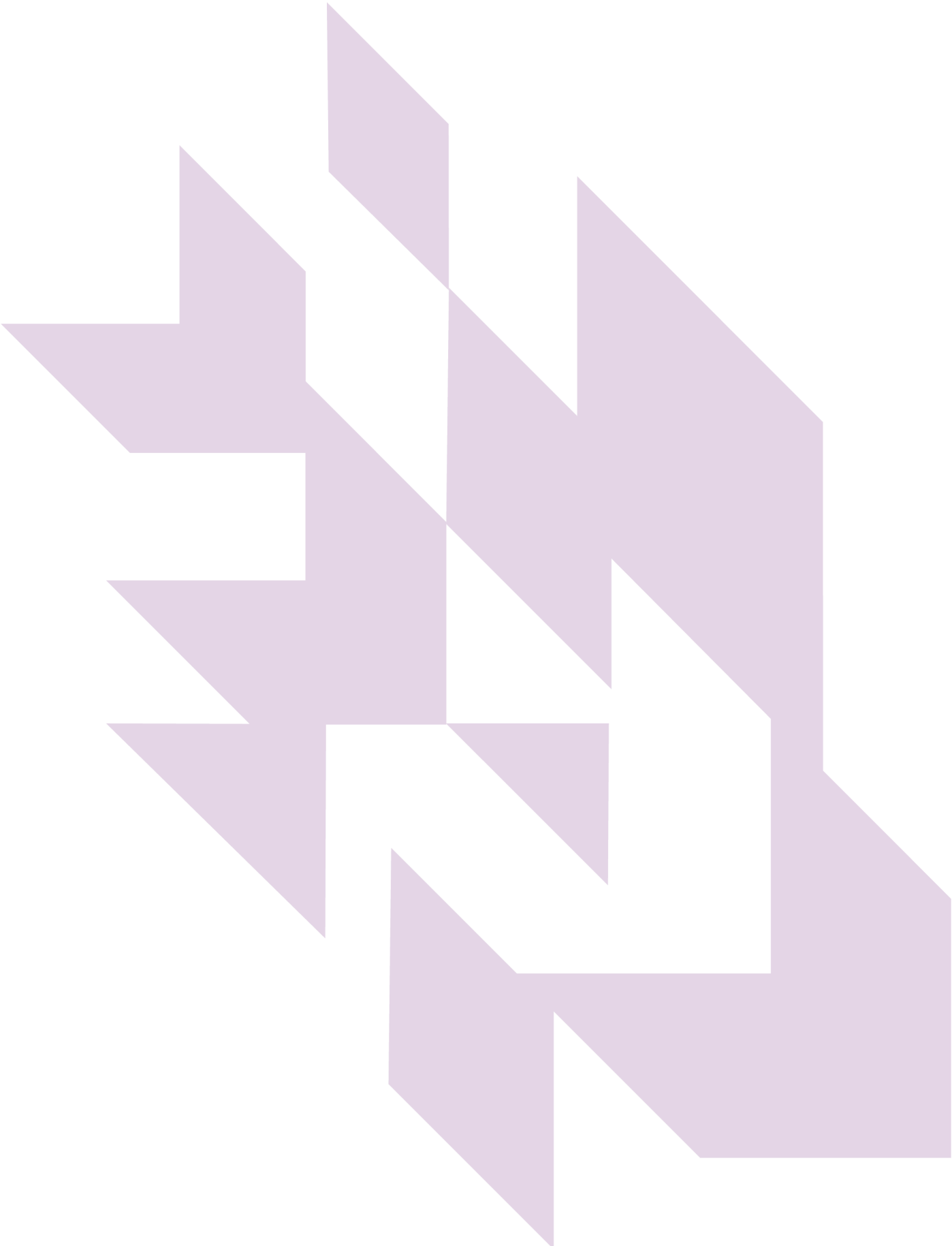


Nicola Dandridge

Chief Executive and Accounting Officer  
Office for Students

28 May 2020

# Accountability report



# Corporate governance report

This is our second accounting period, covering the period from 1 April 2019 to 31 March 2020. For the first four months we continued in a transitional period until 1 August 2019 when our full powers under the HERA (2017) came into force.

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

## Directors' report

The chair of the OfS is Sir Michael Barber and the chief executive is Nicola Dandridge. The directors of the OfS comprise the executive leadership team and the non-executive board members. Board members are listed on page 63.

### Register of interests

We have strict guidelines on conflicts of interest and recognise that any actual or perceived conflict of interest could relate to either the operations of the OfS or the role of the OfS as a regulator of higher education providers.

Members of our senior team, board and committee complete a declaration of interests, and registers of interest are available on our website.

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

As operational decision making is delegated to the chief executive and through her to staff within the OfS, separate guidance is provided to staff in relation to procuring goods and services and disclosing higher education provider interests or any other relevant interests.

### Personal data incidents

During the accounting period, we were not required to make a notification to the Information Commissioner's Office either as a Data Controller or a third party.

### Other disclosures

Some disclosures required within the directors' report are included elsewhere in the annual report, such as the Remuneration report on page 78. Future developments affecting our business are discussed in the Performance Report.

## Statement of Accounting Officer's responsibilities

The Permanent Secretary of DfE has appointed me, Nicola Dandridge, 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

The OfS is an executive non-departmental public body 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. As a relatively new organisation that took on additional responsibilities during the year when the regulatory framework became fully operational, there was still much to do in terms of setting up new systems and processes.

Our framework for corporate governance and control must support robust oversight, and also allow for adaption to changes in the external environment.

## 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>62</sup>

The standards to which the board operates are set out in our 'Approach to corporate governance' and the arrangements for how it will carry out its business are detailed in its 'Board proceedings and code of conduct'.<sup>63</sup> In establishing our governance arrangements, we applied the principles of the Central Government Corporate Governance Code and we comply with the code (to the extent that it is relevant to the OfS as a non-departmental public body). Guidance for board members and directors, where they are or may be perceived to be part of the decision making activities of the OfS, were updated in November 2019.

The board has four committees which are composed of a mixture of board members and independent members. Members' biographies are available on our website.<sup>64</sup>

The board assessed its effectiveness in the late autumn of 2019 through a questionnaire for members of the board. Improvements in perception of the board's effectiveness were evident compared with the results of a survey in the same format in the previous year. The board considers itself to be operating effectively and engaging in open and robust discussions. Changes made last year such as the introduction of a pre-meeting for members and extending the length of meetings were considered to have had a positive impact. The board identified areas for improvement such as making more time for focused discussions. Additionally, there was an appetite for more engagement with external stakeholders including students, providers and employers.

---

<sup>62</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>63</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/).

<sup>64</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/).

The board effectiveness review sought members' views on issues such as the clarity and relevance of papers and the appropriateness of data available to the board. There was 86 per cent agreement with the statement that 'board papers provide a clear, relevant and balanced view of issues' and 57 per cent agreement with the statement that 'the board has appropriate data to monitor the organisation's performance, including financial and non-financial information and sector information; and uses the available data effectively'. The board requested that management information being developed for the executive be shared with the board to allow consideration of broader organisational performance issues.

## **Organisational structure**

The business plan and objectives are delivered through an organisational structure aligned to five executive directorates.

Our scheme of delegation sets out how our functions are exercised, and decisions delegated to the appropriate level.<sup>65</sup> The scheme was revised during the year to take account of the regulatory framework becoming fully operational in August 2019.

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

---

<sup>65</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 by board members

As of 31 March 2020, our board comprised the following members. In this operating year there were no changes to membership.

	OfS board	Risk and Audit Committee	Provider Risk Committee <sup>a</sup>	Quality Assessment Committee	Remuneration and Nominations Committee
<b>Sir Michael Barber</b> Chair	6/6				3/3
<b>Martin<sup>b</sup> Coleman</b> Deputy chair	6/6		8/9	1/2	
<b>Nicola Dandridge</b>	6/6				
<b>Gurpreet Dehal</b>	6/6	4/4			
<b>Elizabeth Fagan</b>	6/6		9/9		
<b>Katja Hall</b>	5/6	3/4			
<b>Verity Hancock</b>	5/6				
<b>Kathryn King</b>	5/6		8/9		
<b>Kate Lander</b>	6/6	4/4			
<b>Simon Levine</b>	6/6			2/4	
<b>Martha Longdon</b>	6/6				3/3
<b>Chris Millward</b>	6/6				
<b>David Palfreyman OBE</b>	6/6				
<b>Monisha Shah</b>	6/6			3/4	3/3
<b>Professor Steve West CBE</b>	4/6				

<sup>a</sup> The Provider Risk Committee had occasion to come together on other occasions throughout the year to discuss urgent cases. The committee was quorate when decisions were made.

<sup>b</sup> Martin Coleman served on the Quality Assessment Committee until September 2019.

## 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 is 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>66</sup>

The Secretary of State issues guidance, setting out the government's priorities and the work it expects the organisation to carry out. In this period, there were four letters of guidance reflecting changes in ministerial responsibilities.<sup>67</sup> 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

Our board and Risk and Audit Committee are kept informed of the progress of registration and monitoring and intervention, through chief executive reports. The board receives reports from the chief executive and from the Provider Risk Committee and considers substantive provider issues.

In October 2019 we published a suite of regulatory guidance setting out our expectations of registered providers in relation to their obligations under the regulatory framework. The guidance described in detail our approach to monitoring and intervention and reportable events.<sup>68</sup> The coronavirus crisis of March 2020 necessitated publication of revised regulatory requirements, including regulations we suspended in order to reduce burden on providers and the specific information required during the pandemic.<sup>69</sup>

During this operating period, we defended a number of legal challenges. In October 2019 a college had an application to the High Court for an injunction to conceal the refusal of a registration decision dismissed.

---

<sup>66</sup> See <https://www.officeforstudents.org.uk/media/189e6e2a-65eb-4cc5-9ad3-bfb149185b69/ofs-framework-document-review-2019.pdf>.

<sup>67</sup> See [www.officeforstudents.org.uk/advice-and-guidance/regulation/guidance-from-government/](http://www.officeforstudents.org.uk/advice-and-guidance/regulation/guidance-from-government/).

<sup>68</sup> See [www.officeforstudents.org.uk/publications/regulatory-advice-15-monitoring-and-intervention/](http://www.officeforstudents.org.uk/publications/regulatory-advice-15-monitoring-and-intervention/) and [www.officeforstudents.org.uk/publications/regulatory-advice-16-reportable-events/](http://www.officeforstudents.org.uk/publications/regulatory-advice-16-reportable-events/).

<sup>69</sup> See [www.officeforstudents.org.uk/publications/regulatory-requirements-during-the-coronavirus-covid-19-pandemic/](http://www.officeforstudents.org.uk/publications/regulatory-requirements-during-the-coronavirus-covid-19-pandemic/).

In February 2020 there was a judicial review following our decision to refuse a provider's registration application. We defended our decision, and the approach and processes we followed in taking it, and in March 2020 the High Court ruled that our actions were lawful.

During the transition period (1 April 2018 to 31 July 2019), we distributed funding to providers under powers that formerly applied to the Higher Education Funding Council for England (HEFCE) arising from the Further and Higher Education Act 1992. Our direct funding powers were 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 funded providers under our powers arising from HERA.

During this period, we reviewed a number of elements of our governance arrangements. We updated our scheme of delegation to take account of the implementation of the full regulatory framework. Other developments during this financial year were:

- A review of arrangements for recruitment and remuneration for the Student Panel. As a result, the panel will move from a financial year to an academic year cycle to better suit the needs of its members.
- Development of a principles-based framework for recruitment and remuneration arrangements to our committees, panels and advisory groups. Our Remuneration and Nominations Committee considered actions to further our equality, diversity and inclusion objectives in relation to members.
- Changes to internal governance arrangements, such as the establishment of a group to enable integrated oversight of complex provider issues, which reports to the Provider Risk Committee. Additionally, we amalgamated groups dealing with information security and data privacy, to address their overlapping responsibilities.

## **Performance review**

This year we re-modelled our monitoring systems through a revised oversight cycle, led by our Portfolio Management Office (PMO). Our senior team receives a monthly report from the PMO on how well we are progressing against our business plan, allowing for reflection and managed adaptation as the year progresses. Additionally, the senior team undertakes quarterly an in-depth review of our plans, risks, and finances, including an assessment of how well we are progressing towards our intended regulatory outcomes. The PMO maintains a project pipeline to allow decisions to be made about the prioritisation of new areas of work, and new projects go through a start-up approach to maximise chances of success. The PMO also conducts focused work to improve planning and delivery capability across the OfS.

Our senior team delegated project decision-making powers to a Transformation Programme Board to focus on internal projects in the areas of:

- equality, diversity and inclusion
- knowledge and information management
- learning and development

- the Digital, Data and Technology programme
- financial and human resources systems transformation
- performance management
- use of office space.

In autumn 2019 our board carried out a mid-point review of our three-year strategic plan, reflecting on what had been successful and less successful over the first 18 months, as well as expectations for the next 18 months. A set of outcomes and outputs described as ‘success criteria’ for April 2021 were developed. These statements did not replace our KPMs but focus on the largely operational progress we need to have made by April 2021 to have made strategic progress against our objectives and KPMs. However, the coronavirus emergency in March 2020 required us to set new priorities to reflect how we intend to respond to the impact of the pandemic.

### **Financial management, systems and control**

Profiled budgets form part of our business plan. There is reporting to the senior team, the board and DfE on the financial position of the organisation for both administrative and programme funds.

This year there were internal audits on our registration fee invoicing process and financial controls. Both audits gave significant assurance.

### **Risk management**

The principal risks we faced during this operating year are detailed in our Performance Report.

During the course of this year we have continued to focus on improving the maturity of our risk management approach to ensure we have a risk management framework which represents best practice and improves our capacity to handle the risks we face in a dynamic environment.

We established our risk management framework at the end of 2018 and it is used to provide assurance to the OfS board, Risk and Audit Committee and senior leadership that risks to achieving our objectives are being effectively identified and managed and that those involved understand their roles and responsibilities.

The framework is founded on a risk management policy which ensures consistency in our approach. Consistent application of the policy this year has enabled, for example:

- Regular discussions of risk at the Directors Group, board, and Risk and Audit Committee, and at management level, of the most significant risks, which in turn drive mitigating actions to reduce the level of risk in line with appetite.
- A high-level focus on the corporate-level risk register and systematic risk management at different levels across the OfS. This has identified risks which were

previously managed outside the corporate approach and has ensured consistency and transparency.

- Capability building across our established network of risk coordinators who understand the corporate approach in detail and share best practice to ensure that good risk management practice and processes are consistently embedded across the OfS.

An internal audit review of our risk management framework and processes provided substantial assurance with minor improvements needed. These improvements will help us to continue to improve our maturity in the management of risk. They have included:

- Introduction of a new risk management application to provide a single repository for all risks, to improve consistency in how risks are described and reported, to enhance the way mitigating actions are recorded and monitored, to improve accountability and to provide advanced reporting functionality.
- Improvements to the OfS risk management policy to ensure consistency and provide guidance to staff managing risks at all levels within the organisation.
- Continuing to build capability through training and engagement and developing a risk management culture across the OfS where risk-based decisions are taken on a daily basis in line with risk appetite.

## People

In our second operating year, we continued to develop our organisational culture to operate effectively across our broad range of responsibilities. We recruited to vacant roles, appointing 56 staff. Our values aim to develop consistent behaviours. Our Performance Report gives detail about our investments in the learning and development of staff.

As part of our work on equality, diversity and inclusion we commissioned an independent equal pay audit. This followed the process outlined in the Equality and Human Rights Commission's Equal Pay Toolkit and was carried out under the assumption that work undertaken by men and women at the OfS is 'work rated as equivalent', as all jobs have been evaluated using a points-based analytical job evaluation scheme. The audit compared the salaries of all OfS employees against all measurable protected characteristics as defined by the Equality Act 2010. Of those characteristics that could be measured – disability, ethnicity, religion and sexual orientation – the results showed that staff with these characteristics are being treated equally. However, our gender pay gap of 22.9% based on median pay is of significant concern. Our Remuneration and Nominations Committee endorsed the actions that the senior team intends to take in response to this.

Our ambitious business plan generated a substantial workload during this operating year. Our February 2020 People Survey results (which mirrors questions in the Civil Service's People Survey) show that our staff responded positively about engagement with their direct teams but were less content with learning and development and leadership and managing

change, and the overall employee engagement index score was slightly lower than the Civil Service 2019 survey average. These results highlight a number of opportunities to improve the engagement of our workforce. We faced a substantial amount of change in the set-up phase of the OfS and we are confident that as our teams, functions and roles settle, we will see increases in engagement.

## **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 to 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>70</sup>

As part of fostering an inclusive and open culture, the OfS equality, diversity and inclusivity internal strategy seeks to 'harness the staff voice, via the creation of staff networks to take into account staff views and experiences, and build diversity of thought and perspective'; and 'promote the use of staff groups to support and drive continued commitment and action'. There are five staff networks: the Accessibility Staff Network; the Black, Asian and Minority Ethnic Staff Network; the LGBT+ Staff Network; the Parents' and Carers' Staff Network; and the Women's Staff Network.

## **Improving our digital capability**

There was a substantial three-year investment programme in digital capability, which began in 2017 under the OfS's predecessor bodies. During this period, there were notable successes such as rolling out collaboration tools and core technology infrastructure to support the OfS to operate effectively (e.g. a customer relationship management tool and a provider portal). The scale of the programme meant that the final delivery and close down of the programme were delayed by a few months.

An internal audit review of our Digital, Data and Technology programme sought to understand whether the necessary plans, decision and actions were in motion to achieve a smooth transition from the programme to 'business as usual'. There was also an in-depth review of a subset of the bespoke code which was written for the final deliverable technology. The transition review gave a rating of 'partial assurance with improvements required'. In particular, a large number of small findings arising from the review of code were in progress at the time of the internal audit review. The review reported no high-priority recommendations. We have addressed most of the recommendations already, although a small number are dependent on the roll-out of the new provider portal to support the exchange of data with providers.

---

<sup>70</sup> Available at [www.officeforstudents.org.uk/about/equality-and-diversity/](http://www.officeforstudents.org.uk/about/equality-and-diversity/).

We invested to strengthen our internal control systems, including new financial planning, contract management and risk management tools.

We carried out a number of business continuity scenario tests during the year which have proved valuable in our response to the coronavirus crisis.

## **Information security and governance**

A cybersecurity and follow-up review which reported to our Risk and Audit Committee in May 2019 provided substantial assurance about our approach.

A small number of information incidents were reported to the Risk and Audit Committee during the year – none of these required a report to the relevant regulator.

We continued work to ensure that the OfS complies with the General Data Protection Regulation and the Data Protection Act 2018, such as developing and improving our record of processing activities and rolling out targeted data protection training for high risk areas such as human resources.

There are procedures in place to manage the risk of protected personal data-related incidents. Senior managers took part in a series of business continuity scenarios to test the OfS's ability to respond to a significant information security issue.

## **Counter-fraud**

This year we repeated the Cabinet Office's self-assessment of compliance with functional standards. A significant improvement was achieved, with nine standards met while three were partially met (compared with four met, two partially and five not met in 2018). The continued development of our counter-fraud strategy and action plan during this period will lead to further improvements for the 2020 assessment. Our counter-fraud group meets quarterly to discuss our performance in relation to the functional standards and delivery of action plans. The Risk and Audit Committee receives an annual report on progress.

## **Producer of Official Statistics**

The OfS is a producer of Official Statistics. We comply with the Code of Practice for Statistics, which sets out a framework to ensure that statistics are trustworthy, high quality and of public value. We will look to apply the principles of the code to all of the statistics that we produce, whether they are official statistics or not.

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

We are the principal regulator of those exempt charities that are also higher education providers for which we are the primary regulator – this includes connected charities of those exempt charities. 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>71</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 become 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.

## Prevent duty

An annual report was presented to the board in November 2019, which reviewed the first year of the OfS's new risk-based approach to monitoring compliance with the Prevent duty in the higher education sector.

## Working with others

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

The **Quality Assurance Agency (QAA)** is 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, signed in July 2018, set 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.

The designation agreement between the OfS and QAA includes key performance measures to enable the OfS's Quality Assessment Committee to hold the designated quality body to account. It sets out a requirement for a quarterly report from the QAA on progress against the activities and milestones. This year there were delays to the OfS's regulatory decisions where those decisions are reliant on the QAA's Quality and Standards Reviews.

The **Higher Education Statistics Agency (HESA)** is 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.

---

<sup>71</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>72</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.

The OfS inherited a commitment to fund a project led by HESA to transform the data collection landscape in higher education. The 'Data Futures' project started in 2015 and received £2.71 million of funding from HEFCE prior to the OfS being created. The OfS took over the funding commitment, made by HEFCE, in April 2018 and up to 31 March 2019 had provided £1.58 million to HESA for the project. The Data Futures project encountered problems in its delivery, and the OfS decided to suspend funding in March 2019 to allow those problems to be resolved. Following further discussions with HESA the OfS decided to terminate the funding of the project, making a final payment of £426,000 in September 2019 that was required under the terms of the grant agreement.

In March 2020 the OfS board agreed the need for in-year data for effective regulation and that a revised Data Futures programme, involving HESA and Jisc, should be supported. The revised project builds on knowledge and experience gained from the first project and is designed to deliver value incrementally. The first phase runs until September and the OfS board agreed funding in March of up to £2.3 million for the period March to September 2020. We intend to add conditions to any funding that the intellectual property, including the rights to re-use software, will be available for re-use by those collecting data from registered higher education providers on behalf of the OfS or wider government bodies. The OfS will be involved in monitoring the governance at all levels of the project to ensure that there is clear visibility of project delivery.

We are currently discussing with HESA and Jisc how to take this work forward in light of the coronavirus outbreak.

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.

Our business plan for 2019-20 details the joint priorities and collaborative activities between the OfS and UKRI, including the promotion of postgraduate student participation, preparation

---

<sup>72</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/).

to launch joint activities to support progression to postgraduate education through evidence and investment to improve equality and diversity, and working together to promote student engagement with the workplace, local communities, and social and student enterprise.

Research England has responsibility for distributing the Higher Education Investment Fund (HEIF) to providers. This is used to support and develop knowledge exchange activities – a broad range of knowledge-based interactions between higher education providers and the wider world, which results in benefits to the economy and society. We worked with Research England to develop guidance for the next round of HEIF five-year strategies to form the basis for release of HEIF allocations from 2020-21 to 2024-25, and to design new metrics to measure the impact of knowledge exchange funding to inform future investment in skills. We also undertook a joint funding competition with Research England, inviting bids for projects on student engagement in knowledge exchange.

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 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 May 2020 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.

Many further education colleges provide some higher education and are registered with the OfS. Where a provider is a further education college or sixth form college under the primary regulation of the **Education and Skills Funding Agency (ESFA)**, the provider submits its financial and other data to the ESFA rather than the OfS. Section 63 of HERA states that the OfS may co-operate with and provide information to any person if a disclosure is made for the purposes of performing a function of the OfS. This allows the OfS to exchange information with the ESFA and to work closely with the ESFA to understand the financial viability and sustainability of these providers. We also share information with the ESFA for the performance of their functions under Section 78 of HERA and there is an annual exchange of letters in relation to assurance that public money is being used for the purposes intended.

## Opinion of the Head of Internal Audit

The work of the OfS's internal auditors, KPMG LLP, included cybersecurity; financial systems and processes; digital, data and technical transition; and processes and controls for data quality assurance and 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.

The basis for forming our opinion is as follows:

An assessment of the design and operation of the underpinning Assurance Framework and supporting process; and

An assessment of the range of individual assurances arising from our risk-based internal audit assignments that have been reported throughout the period. This assessment has taken account of the relative materiality of these areas.

Our overall opinion for the period 1 April 2019 to 31 March 2020 is of:

Significant assurance with minor improvement opportunities, in the areas considered in the scope of work:

### **The design and operation of the Assurance Framework and associated processes**

Strategic risks are reviewed quarterly at Directors' Group, in addition to other frequent discussions during the year as part of the business planning process or when the board and Directors' Group are reviewing risk reports. The risk register is therefore reviewed and formally updated at least quarterly. We conducted a specific risk management internal audit during the period focused on current risk management processes in place, which have been developed and improved over the past 12 months. Whilst we identified improvement areas and the OfS is aware further actions are required to fully embed the process, our interviews and discussions with staff noted that there is a good culture in regards to risk management and a core team of Business Managers and members of the Governance team who understand and are invested in the process.

### **The range of individual opinions arising from risk-based internal audit assignments, contained within our risk-based plan that have been reported throughout the year**

Based on the work completed in year, we have no significant concerns to raise relating to the overall adequacy and effectiveness of the organisation's internal control arrangements. We conducted seven internal audits. A total of 37 recommendations were raised: none were high priority. All recommendations were accepted by management and actions agreed where appropriate.

## Formal opinion of the Risk and Audit Committee

Given the opinions of both the Head of Internal Audit and the National Audit Office (NAO) 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 and internal control are working satisfactorily. During the reporting period, we do not believe that these processes have been adversely affected as a result of the coronavirus outbreak.

We are satisfied with the quality of the work provided by our new provider of Internal Audit and with the services of the NAO. 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. In respect of our own performance, we consider that the Committee has worked effectively with Internal Audit to ensure the focus of our work is relevant to the risks facing the OfS and we have challenged appropriately. 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.

This opinion is intended to give reasonable rather than absolute assurance of effective controls. It informs the chief executive's Governance statement.

## Complaints

We have a formal process for complaints against the OfS in relation to the service we provide, our staff's behaviour, and whether we have followed appropriate procedures.<sup>73</sup>

Half of the 28 formal complaints against the OfS received in this operating year were assessed as being 'out of scope' of the remit above. Where appropriate, complaints relating to higher education providers are shared with the monitoring and intervention team to take into account in our regulatory activities. Of the 14 complaints judged to be in scope, seven were upheld or partially upheld.

A number of complaints related to the time taken to reach final decisions for registration applications. While acknowledging that some providers would have found it helpful to receive more communication during the registration process, we note the constraints of the statutory provisions of HERA 2017 which require us to follow a consistent and rigorous process. Our complaints process follows, and is subject to, the Parliamentary and Health Service Ombudsman's Principles of Good Complaint Handling.

---

<sup>73</sup> See [www.officeforstudents.org.uk/contact/complaints-and-notifications/complaints-against-the-ofs/](http://www.officeforstudents.org.uk/contact/complaints-and-notifications/complaints-against-the-ofs/).

## Internal whistleblowing

We have a whistleblowing policy which provides a number of routes for staff to make disclosures, including externally to the DfE and the National Audit Office. During the accounting period no internal disclosures were made by staff or members. Additionally, we are not aware that any external disclosures were made.

## 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 262 notifications, raising enquiries 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 requests

Freedom of Information requests to the OfS are not subject to National Statistics monitoring. In 2019-20 we received 115 requests, of which 88 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.

Our regulatory approach is designed to be principles-based taking account of the complexity of the higher education sector. It sets out the approach that the OfS will take as it makes judgements about individual providers on the basis of data and contextual evidence. Our approach is also risk-based: engagement with an individual provider is intended to allow the OfS to make appropriate regulatory decisions about managing the risks associated with that provider, and dialogue will focus on specific regulatory issues rather than the general circumstances and activities of the provider.

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). Statutory regulators must publish:

- their qualifying regulatory provisions (QRPs)
- an assessment of the economic impact on business of those QRPs

- a summary of non-qualifying regulatory provisions (NQRPs).

The DfE undertook an assessment of the economic impact assessment of the Higher Education and Research Act 2017<sup>74</sup>, submitting the assessment to the Regulatory Policy Committee. The OfS is required to assess the impact of any changes to current regulatory activity which impacts on business. To date, we have been implementing to a great extent the regulatory system as envisaged in the DfE's assessment. Statutory and administrative exemptions mean that some activity is viewed as NQRP. Our assessment to date of our regulatory changes is that they qualify as NQRP (as implementation did not significantly diverge from that envisaged in the DfE impact assessment).

As our regulation develops, we are designing and implementing a consistent approach to regulatory impact assessment. We will pilot an exercise to measure the costs of compliance with our regulation, with a view to extending this across the regulatory framework. We are mindful of burden, and through the engagement process we are listening to the concerns of providers in the design of this work.

### **Accounting Officer 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 2020
- An exchange of letters with the Education and Skills Funding Agency in order to the 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.

---

<sup>74</sup> See <https://www.gov.uk/government/publications/higher-education-and-research-act-impact-assessments>.

The coronavirus outbreak at the end of this operating period had a significant impact on both the internal and external environment, requiring new ways of working and new priorities for the organisation. Our business continuity arrangements were tested and shown to be strong. We recognise the challenges of the risk environment in the coming year, and will pay careful attention to management of these risks.



# 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 2019-20 were:

- **Monisha Shah** (Committee chair), OfS board member
- **Sir Michael Barber**, chair, OfS board
- **Martha Longdon**, OfS board member
- **San Johal**, independent member (appointed 27 June 2019)

The chief executive normally attends meetings to support discussion of the performance and remuneration of executive directors and other relevant matters but is not present for discussion of her own performance and remuneration.

The Remuneration and Nominations Committee has several responsibilities including:

- To make recommendations to the OfS board on the terms and conditions of employment of the chief executive and the Director for Fair Access and Participation, noting that some decisions are made by the Department for Education.
- To carry out an annual review of the remuneration of other directors and based on the recommendations of the chief executive, to make decisions about changes to pay and levels of performance-related pay.
- To support the OfS chair in setting performance objectives with the chief executive and monitoring their performance.
- To comment on the aims of the annual pay remit, which seeks authority from the DfE on the nature and scale of pay awards to OfS staff.
- To provide advice to the chief executive on the OfS's staffing policies and to comment on the appropriateness of its approach to remuneration in enabling it to recruit, motivate and retain staff.
- To support the OfS chair and 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 committee is open and fair and promotes diversity and equality of opportunity, and to provide advice to the OfS chair on the appointment of suitable independent members to any of these committees.

The full terms of reference for the committee are available on the OfS website.<sup>75</sup>

## **Remuneration arrangements**

The salary and non-consolidated performance pay for the chief executive and the DFAP are determined by the Secretary of State for Education, on consideration of the proposal made by the board on the recommendation of the Remuneration and Nominations Committee.

The aim of the proposal 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 10 per cent of basic salary for the DFAP) relates to achievement of previously 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 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 was appointed as chief executive for a four-year term, which began in September 2017. There is an option to extend her term of employment for up to a total of 10 years. Her contract stipulates a minimum of a six-month notice period.

Christopher Millward was appointed as the DFAP for a four-year term, which began in January 2018. There is an option to extend his term of employment for up to a total of 10 years. 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 are appointed based on 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

---

<sup>75</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/).

are made by the Secretary of State for Education following a selection process run by the 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 2020, the OfS employed 388 full-time equivalent staff: 418 headcount, 275 female and 143 male. Of the 12 board members listed in the Remuneration Report (excluding the chief executive, the DFAP and the chair), five were men and seven women. Of the seven senior employees listed in the Remuneration Report, four were men and three women.

The OfS continues to monitor sickness absence as an indicator of staff wellbeing. Our sickness absence remains relatively low. In 2019-20 we lost 2,508 (2018-19: 1,932) working days to sickness, an average of 6.0 (2018-19: 5.5) days per person. This compares to an average 8.0 days for government public service bodies and 4.3 days for private sector services.<sup>76</sup>

The OfS is committed to promoting diversity and equal opportunities in employment. Like many other organisations, we recognised 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 on our website.<sup>77</sup>

There have been no staff redeployments in relation to coronavirus or the EU exit.

---

<sup>76</sup> See CIPD Report 2020 (Health and well-being at work): <https://www.cipd.co.uk/knowledge/culture/well-being/health-well-being-work>.

<sup>77</sup> See [www.officeforstudents.org.uk/about/equality-and-diversity/](http://www.officeforstudents.org.uk/about/equality-and-diversity/).

## Part two (audited)

### 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 role requires a time commitment of two days per week. The total salary for the OfS chair, **Sir Michael Barber**, for the year ended 31 March 2020, was £54,000 (2018-19: £67,500, 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. The total board members' remuneration is shown in the following table.

	Year ending 31 March 2020	Period ending 31 March 2019
<b>Martha Longdon</b>	9,180	4,590
<b>David Palfreyman OBE</b>	9,180	12,315
<b>Gurpreet Dehal</b>	9,180	12,315
<b>Kate Lander</b>	9,180	12,315
<b>Martin Coleman</b>	9,180	12,315
<b>Steven West CBE</b>	9,180	12,315
<b>Katja Hall</b>	9,180	11,475
<b>Monisha Shah</b>	9,180	11,475
<b>Simon Levine</b>	9,180	11,475
<b>Kathryn King</b>	9,180	1,530
<b>Verity Hancock</b>	9,180	1,530
<b>Ruth Carlson</b> (term ended 30 September 2018)		9,180
<b>Carl Lygo</b> (term ended 23 May 2018)		4,665
<b>Elizabeth Fagan CBE<sup>a</sup></b>	-	-
<b>Total</b>	<b>100,980</b>	<b>117,495</b>

**Note:** The period ending 31 March 2019 was a 15-month period.

<sup>a</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 and Nominations Committee, as described above. The chief executive received no benefits in kind in 2019-20. The total emoluments for the OfS chief executive are shown in the following table.

	Salary paid <sup>a</sup>		Bonus <sup>b</sup>		Pension benefit (nearest £1,000)		Total	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
<b>Nicola Dandridge CBE</b>	£171,358	£206,250	£16,748	-	£66,000	£79,000	£254,106	£285,250

**Note:** 2018-19 was a 15-month period.

<sup>a</sup> Salary in 2019-20 includes backdated pay of £2,268.75 relating to the 1.5 per cent 2018-19 pay award.

<sup>b</sup> Bonus is non-consolidated pay in recognition of performance in 2018-19.

## The Director for Fair Access and Participation (DFAP)

The DFAP's salary and non-consolidated performance bonus are determined by the Secretary of State for Education after considering proposals from the Remuneration and Nominations Committee, as described above. The DFAP received no benefits in kind in 2019-20. The total emoluments for the DFAP are shown in the following table.

	Salary paid		Bonus <sup>a</sup>		Pension benefit (nearest £1,000)		Total	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
<b>Christopher Millward</b>	£133,709	£163,800	£13,195	-	£53,000	£259,000	£199,904	£422,800

**Note:** 2018-19 was a 15-month period.

<sup>a</sup> Bonus is non-consolidated pay in recognition of performance in 2018-19.

## Senior employees

Salary includes gross salary, overtime, reserved rights to London weighting or allowances, recruitment and retention allowances, and any taxable allowances or payments. No senior employee received any benefits in kind in 2019-20.

	Salary (£000)		Bonus (£000)		Pension benefit (nearest £1,000)		Total (£000)	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
<b>Yvonne Hawkins<sup>a</sup></b> Director of teaching excellence and student experience	100-105	95-100	-	-	39	37	140-145	135-140
<b>Susan Lapworth</b> Director of competition and registration	120-125	100-105	5-10	-	7	8	135-140	110-115
<b>Richard Puttock</b> Head of data, foresight and analysis	95-100	85-90	-	0-5	114	110	210-215	195-200
<b>Conor Ryan</b> Director of external relations	110-115	95-100	-	-	45	38	160-165	135-140
<b>Nolan Smith</b> Director of resources, finance and transformation	130-135	120-125	10-15	-	68	27	210-215	150-155

**Note:** 2018-19 was a 15-month period. However, the senior employees disclosed in the table above were employed from 1 April 2019.

<sup>a</sup>Last day of service was 31 March 2020.

## Senior employees' pensions

	Accrued pension at pension age as at 31 March 2020 and related lump sum (£000)	Real increase in pension and related lump sum at pension age (£000)	CETV at 31 March 2020 (£000)	CETV at 31 March 2019 or start date (£000)	Real increase in CETV (£000)
<b>Nicola Dandridge<sup>b</sup></b> Chief executive					
Pension	5-10	2.5-5	133	71	46
Lump sum	-	-	-	-	-
<b>Christopher Millward<sup>b</sup></b> Director for fair access and participation					
Pension	45-50	2.5-5	750	687	26
Lump sum	95-100	0-2.5	-	-	-
<b>Nolan Smith<sup>b</sup></b> Director of resources, finance and transformation					
Pension	35-40	2.5-5	579	512	36
Lump sum	70-75	0-2.5	-	-	-
<b>Yvonne Hawkins<sup>b</sup></b> Director of teaching excellence and student experience					
Pension	25-30	0-2.5	347	301	22
Lump sum	-	-	-	-	-
<b>Susan Lapworth<sup>a</sup></b> Director of competition and registration					
Pension	20-25	0-2.5	539	442	79
Lump sum	65-70	2.5-5	-	-	-

	Accrued pension at pension age as at 31 March 2020 and related lump sum (£000)	Real increase in pension and related lump sum at pension age (£000)	CETV at 31 March 2020 (£000)	CETV at 31 March 2019 or start date (£000)	Real increase in CETV (£000)
<b>Conor Ryan<sup>b</sup></b> Director of external relations					
Pension	0-5	2.5-5	68	30	28
Lump sum	-	-	-	-	-
<b>Richard Puttock<sup>b</sup></b> Head of data, foresight and analysis					
Pension	30-35	5-7.5	558	455	78
Lump sum	75-80	7.5-10	-	-	-

**Note:** 'CETV' = 'Cash equivalent transfer value'.

<sup>a</sup> Members of the Universities Superannuation Scheme.

<sup>b</sup> Members of the Principal Civil Service Pension 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.

The banded remuneration of the highest annual salary paid to a director (the chief executive) in the OfS, in the financial year 2019-20, was £188,106 (2018-19: £165,000). This was 4.9 times (2018-19: 4.5 times) the median remuneration of the workforce, which was £38,073 (2018-19: £36,513). There is a change in the ratio as the chief executive did not receive a bonus in 2018-19. Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions or the cash equivalent transfer value of pensions. With the exception of the senior employees disclosed, no other employee received a salary above £100,000.



In 2019-20 no employees received remuneration in excess of the highest-paid director. Remuneration ranged from £14,855 to £188,106 (2018-19: £15,255 to £165,000).

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

### Staff and pension costs

	Year ended 31 March 2020 (£000)	Period ended 31 March 2019 (£000)
<b>Staff with a permanent UK employment contract with the OfS</b>		
Salaries	17,384	15,236
National Insurance contributions	1,799	1,513
Pension costs	4,365	3,004
	23,548	19,753
Costs of employing contract, agency and temporary staff	1,067	2,481
	<b>24,615</b>	<b>22,234</b>
<b>Pension costs breakdown</b>		
Civil Service pensions	4,243	2,900
Partnership pension	59	59
Universities Superannuation Scheme	63	45
	<b>4,365</b>	<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 392 (2018-19: 360) average full-time equivalent (FTE) staff numbers which includes 18 (2018-19: 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 outwardly seconded staff. Although the FTE for the chair is excluded from the above staff numbers, his costs are included among staff costs.

As of 31 March 2020, there were no off-payroll engagements and no expenditure on consultancy.

## Pensions

Employers' contributions of £4,242,686 (2018-19: £2,899,881) were payable to the PCSPS at one of four rates in the range 26.6 to 30.3 per cent (2018-19: 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 £59,046 (2018-19: £59,325) were paid to appointed stakeholder pension providers. Employer contributions are age-related and range from 8.0 to 14.75 per cent (2018-19: 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.

Four (2018-19: six) members of staff hold a pension with USS. For 2019-20, employers' contributions of £63,334 (2018-19: £45,094) were payable at a rate of 19.5 per cent (2018-19: 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 the 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 (PCSPS). The PCSPS 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 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and five 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 the appointed provider – Legal & General. 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 [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk).

## **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, when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme, to secure pension benefits in another pension scheme or arrangement. 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 19.5 per cent (2018-19: 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.

### **Voluntary exit payments**

The table below shows the number of exit payments agreed in 2019-20 by banding. As of 31 March 2020:

- Nine (2018-19: 14) exit payments were made to employees, with a total value of £340,218 (2018-19: £645,787), following approval from the cabinet office.
- One (2018-19: nil) exit payment was made to a senior employee, with a total value of £92,552, of which £50,000 was paid to the pension scheme 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.

Cost band (£000)	Total number of exit packages 2019-20	Total number of exit packages 2018-19
<10,000	-	1
10,000-25,000	3	5
25,000-50,000	2	2
50,000-100,000	4	6
	<b>9</b>	<b>14</b>

### 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 2019-20 there were eight (2018-19: 8) employees who were union officials (full-time equivalent of 7.5). These employees spent between 0.6 and 5.8 (2018-19: 0.4 and 12.6) per cent of their working hours on facility time. The total cost of this facility time was £10,121 (2018-19: £19,527), which represents 0.04 (2018-19: 0.09) per cent of the total staff costs of £24.6 million. The facility time was all spent on paid trade union activities.

# Parliamentary accountability and audit report (audited)

## Fees and charges income

The executive team regularly review the OfS's performance using two operating segments. The administration segment is the OfS's operating activities funded mostly by the registration fee income. More analysis can be found in Note 2: Operating segments.

	Administration	
	Year ending 31 March 2020	Period ending 31 March 2019
Income	(18,187)	(804)
Expenditure	27,984	27,484
Net operating expenditure	9,797	26,680

## Contingent liabilities

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

## Losses

During 2019-20 there have been no losses, special payments or gifts.



Nicola Dandridge  
Chief Executive and Accounting Officer  
Office for Students

28 May 2020

# 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 year ended 31 March 2020 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 2020 and of net expenditure for the year 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 for my opinion.

## **Conclusions relating to going concern**

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Office for Students' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Office for Students has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis.

## **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.
- conclude on the appropriateness of Office for Students' 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. If I conclude that a material uncertainty exists, I am required to draw attention in my 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 report. However, future events or conditions may cause the Office for Students to cease to continue as a going concern.

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, but does not include 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 the Performance Report and the 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**

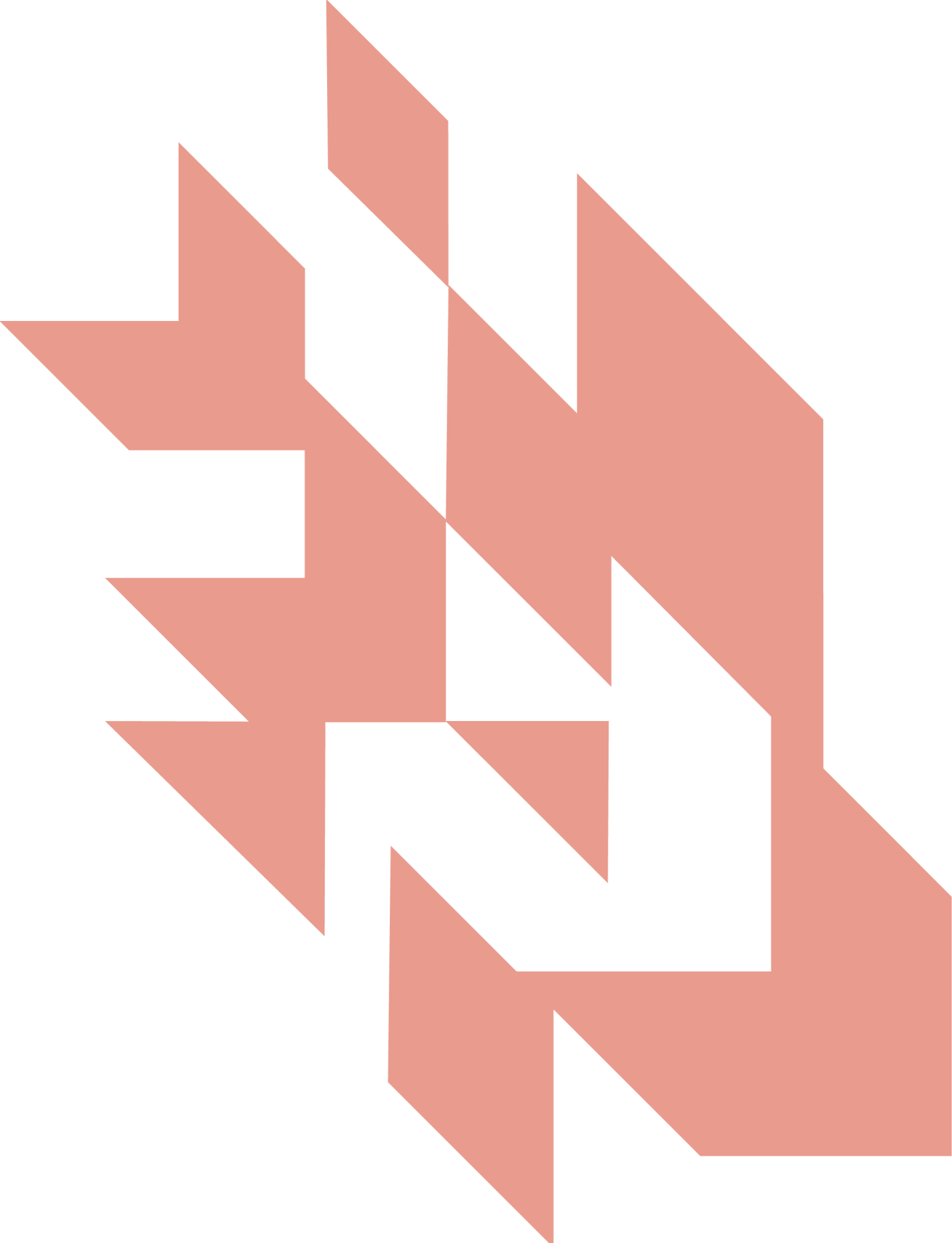
**2 June 2020**

**Comptroller and Auditor General**

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



# Financial statements



## Statement of comprehensive net expenditure for the year ended 31 March 2020

	Note	Year ended 31 March 2020 £000	15-month period ended 31 March 2019 £000
<b>Income</b>	6	(19,052)	(1,756)
Staff costs	4	24,615	22,234
Non-pay administration costs	5	6,150	7,771
Depreciation	7	80	86
Recurrent and non-recurrent grant expenditure	3	1,450,191	1,414,356
Changes in provision	11	31	324
<b>Total operating expenditure</b>		<b>1,481,067</b>	<b>1,444,771</b>
<b>Net operating expenditure</b>		<b>1,462,015</b>	<b>1,443,015</b>
<b>Other comprehensive net expenditure</b>			
Operating gain through transfer from the Higher Education Funding Council for England (HEFCE) and the Office for Fair Access (OFFA)	14	-	(30,591)
<b>Comprehensive net expenditure for the period transferred to general reserve</b>		<b>1,462,015</b>	<b>1,412,424</b>

The notes on pages 102 to 122 form part of these accounts.

## Statement of financial position as at 31 March 2020

	Note	As at 31 March 2020 £000	As at 31 March 2019 £000
<b>Non-current assets</b>			
Property, plant and equipment	7	133	213
Recoverable grants falling due after one year	8a	4,441	9,501
		<b>4,574</b>	<b>9,714</b>
<b>Current assets</b>			
Recoverable grants falling due within one year	8a	6,217	9,338
Trade and other receivables due within one year	8b	3,932	4,414
Cash and cash equivalents	9	14,938	7,570
		<b>25,087</b>	<b>21,322</b>
<b>Total assets</b>		<b>29,661</b>	<b>31,036</b>
<b>Current liabilities</b>			
Trade and other payables within one year	10	(12,928)	(8,606)
<b>Total assets less current liabilities</b>		<b>16,733</b>	<b>22,430</b>
<b>Non-current liabilities</b>			
Trade and other payables after one year	10	(1,920)	(4,251)
Provisions for liabilities and charges after one year	11	(355)	(324)
		<b>(2,275)</b>	<b>(4,575)</b>
<b>Total assets less liabilities</b>		<b>14,458</b>	<b>17,855</b>
<b>Taxpayers' equity</b>			
General reserve		14,458	17,855
		<b>14,458</b>	<b>17,855</b>

The financial statements on pages 98 to 101 were approved by the Board and were signed on its behalf on 28 May 2020 by:

*Nicola Dandridge*

Nicola Dandridge CBE  
Chief Executive and Accounting Officer

The notes on pages 102 to 122 form part of these accounts.

## Statement of cashflows for the year ended 31 March 2020

	Note	Year ended 31 March 2020 £000	15-month period ended 31 March 2019 £000
<b>Cashflows from operating activities</b>			
Net operating expenditure		(1,462,015)	(1,443,015)
Adjustment for non-cash transactions	7,11	110	410
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	8,664	13,439
Increase in payables on transfer from HEFCE and OFFA	14	-	12,569
Increase in payables	10	1,991	288
<b>Net cash outflow from operating activities</b>		<b>(1,451,250)</b>	<b>(1,453,001)</b>
<b>Cashflows from investing activities</b>			
Property, plant and equipment transfer from HEFCE	7	-	(299)
<b>Net cashflow from investing activities</b>		<b>-</b>	<b>(299)</b>
<b>Cashflows from financing activities</b>			
Grants from government department		1,458,618	1,430,279
Gain on transfer from HEFCE and OFFA		-	30,591
<b>Net cashflow from financing activities</b>		<b>1,458,618</b>	<b>1,460,870</b>
<b>Net increase in cash for the period</b>		<b>7,368</b>	<b>7,570</b>
<b>Net financing</b>			
Cash and cash equivalents at the beginning of the period	9	7,570	-
Transfer from HEFCE and OFFA	14	-	6,169
Net increase in cash and cash equivalents in the period	9	7,368	1,401
<b>Cash and cash equivalents at the end of the period</b>		<b>14,938</b>	<b>7,570</b>

The notes on pages 102 to 122 form part of these accounts.

**Statement of changes in taxpayers' equity for the year ended 31 March 2020**

	<b>Total reserve £000</b>
<b>Changes in taxpayers' equity 2019-20</b>	
Balance as at 1 April 2019	17,855
Grant from sponsoring department	1,458,618
Comprehensive net expenditure for the period	(1,462,015)
<b>Balance as at 31 March 2020</b>	<b>14,458</b>
	<b>Total reserve £000</b>
<b>Changes in taxpayers' equity 2018-19</b>	
Balance as at 1 January 2018	-
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>

The general reserve consists of grant and grant in aid from the DfE and the net expenditure relating to programme and administration costs.

The notes on pages 102 to 122 form part of these accounts.



## Note 1: Accounting policies

### 1. Basis of accounting

These financial statements have been prepared in accordance with the 2019-20 Government Financial Reporting Manual (FReM) issued by HM Treasury, 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 that 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 2019-20 are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

### 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.

### 3. Adoption of FReM amendments

There have been no significant FReM changes in 2019-20.

### 4. Early adoption

The OfS has not adopted any accounting standards early in 2019-20.

### 5. Going concern

OfS activities are funded from either registration fee income or grant in aid.

Registration fees are based on rates that have been set by Parliament to recover the OfS's operating costs. Grant funding activities are funded through the Departmental Group's estimates and there is no reason to believe that future sponsorship and future parliamentary approval will not be forthcoming. It is therefore appropriate to prepare these accounts on a going concern basis.

### 6. Financial instruments

IFRS 7 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 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, recoverable grants and payables are initially recognised at fair value and held at amortised cost. The cost is judged to be a reasonable approximation of fair value and amortised cost.

During the course of its business, the OfS may on occasion make loans to higher education institutions. These are disclosed in Note 8a as recoverable grants. As these loans are repaid from deductions to future grant payments, the OfS considers the risk of credit loss to be nil.

## **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 but are subject to conditions such that non-compliance with grant terms would result in the grant being repaid.

## **8. Operating income**

Operating income is income which relates directly to the operating activities of the OfS. Income is accounted for in accordance with IFRS 15: Revenue recognition, which states that revenue shall only be recognised once a performance obligation has been met.

### **Registration fee income**

Section 70 of HERA 2017 makes provision for the OfS to charge providers an annual fee for their registration in the register of English higher education providers. The OfS has the powers under section 72 to retain these fees as income. The OfS fulfils its obligations by maintaining the provider's registration over the period the fee covers. The benefits are simultaneously received by the customer; therefore, the revenue received by the OfS should be recognised proportionately over the academic year the fee covers. Any income paid in excess of the value of performance obligation at the year end is deferred.

### **Income from joint initiatives and national programmes**

The OfS acts as lead partner for a number of jointly funded initiatives with the other UK higher education funding bodies. The OfS in its capacity as lead partner for all projects incurs all associated costs. The OfS fulfils its obligation by providing services as per the contractual agreement. A share of these costs is then allocated to the other bodies in the funding group, which then reimburse the OfS. The income is recognised as costs are incurred.

### **Service-level agreements and rental income**

The OfS has service-level agreements in relation to the use of shared office space. There is also a rental agreement for the first floor of Nicholson House. The OfS fulfils its obligation by providing services as per the contractual agreement. Service-level agreements and rental

income are invoiced quarterly, and revenue is recognised in the quarter in which the service is provided.

## **9. Segmental reporting**

In accordance with IFRS 8: Operating Segments, the OfS has considered the need to analyse its activities in relation to operating segments. Since segmental information for total assets and liabilities is not regularly reported to the chief operating decision maker, it has not been produced in the accounts. See Note 2 for segmental reporting disclosures on net expenditure.

## **10. Joint initiatives and national programmes that 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.

## **11. 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 as expenditure is incurred.

## **12. 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 historical cost is used as a proxy for fair value.

## **13. 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.

## **14. 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 exception to this is holdback of providers' grant arising from revised student numbers where there is sufficient certainty. Future profile payments are adjusted to reflect the change and could result in a net receivable or payable balance at year end. Sufficient certainty is where the OfS chief executive approves the funding adjustment.

## **15. Pensions**

OfS employees are covered by the provisions of the Principal Civil Service Pension Scheme. 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 previously transferred to HEFCE from universities, and these staff are covered by the provisions of the Universities Superannuation Scheme, 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.

## **16. 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 that will result in the transfer of economic benefit
- the transfer is probable
- a reliable estimate can be made.

## **17. Taxation**

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

## 18. IFRS issued but not yet effective

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 and found that none of the updates have any material impact on the 2019-20 accounts:

- IFRS 16: Leases – effective date, periods starting after 1 January 2019 with a deferral to the 1 April 2021 for the public sector. Based on the amounts payable under the current operating leases, we do not expect the impact of IFRS 16 to be material.
- IFRS 17: Insurance contracts – effective date, periods starting after 1 January 2021. This is not expected to have an impact as the OfS does not issue insurance contracts.

These standards have been issued but are not yet effective or endorsed by the EU or incorporated into the FReM.

### Note 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 the following area.

#### 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 8a.

The OfS has the powers under the Higher Education and Research Act 2017 to determine amounts of grant to recover from providers 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 for periods prior to a certain year. In such cases the decision is taken on an individual basis, with due regard to the circumstances giving rise to a potential recovery.

## Note 2: Operating segments

IFRS 8: Operating segments requires operating segments to be identified by an entity based on reports that are regularly reviewed by the chief operating decision maker. The executive team regularly review the OfS's performance using two operating segments. The administration segment is the OfS's operating activities funded by the registration fee. Since registration was only effective from August 2019, some 2019-20 administration costs have been recovered through grant in aid. The programme segment is the OfS's grant funding activities funded by the DfE. The analysis of grant expenditure below is consistent with the presentation in the Guide to funding 2019-20.<sup>78</sup>

	Administration		Programmes		Total	
	Year ended 31 March 2020 £000	15-month period ended 31 March 2019 £000	Year ended 31 March 2020 £000	15-month period ended 31 March 2019 £000	Year ended 31 March 2020 £000	15-month period ended 31 March 2019 £000
<b>Income</b>						
Registration fees	(17,481)	-	-	-	(17,481)	-
Other activities	(706)	(804)	(865)	(952)	(1,571)	(1,756)
	<b>(18,187)</b>	<b>(804)</b>	<b>(865)</b>	<b>(952)</b>	<b>(19,052)</b>	<b>(1,756)</b>
<b>Expenditure</b>						
Institutional recurrent funding	-	-	1,231,837	1,116,387	1,231,837	1,116,387
Funding for national facilities and initiatives	-	-	92,295	114,129	92,295	114,129
Capital funding	-	-	103,808	160,397	103,808	160,397
Other government allocations	-	-	12,604	6,299	12,604	6,299
Non-pay	6,150	7,771	9,647	17,144	15,797	24,915
	<b>6,150</b>	<b>7,771</b>	<b>1,450,191</b>	<b>1,414,356</b>	<b>1,456,341</b>	<b>1,422,127</b>
Depreciation	80	86	-	-	80	86
Increase in provision	31	324	-	-	31	324
Staff	21,723	19,303	2,892	2,931	24,615	22,234
<b>Net operating expenditure*</b>	<b>9,797</b>	<b>26,680</b>	<b>1,452,218</b>	<b>1,416,335</b>	<b>1,462,015</b>	<b>1,443,015</b>

\*Net operating expenditure is funded by grant in aid.

<sup>78</sup> Available at [www.officeforstudents.org.uk/publications/guide-to-funding-2019-20](http://www.officeforstudents.org.uk/publications/guide-to-funding-2019-20).

## Note 3: Analysis of recurrent and non-recurrent grant expenditure

	Year ended 31 March 2020 £000	15-month period ended 31 March 2019 £000
Teaching funding <sup>a</sup>	1,231,649	1,116,387
Funding for national facilities and regulatory initiatives <sup>b</sup>	98,672	121,717
Capital funding <sup>c</sup>	103,808	162,863
Other government allocations <sup>d</sup>	16,062	13,389
	<b>1,450,191</b>	<b>1,414,356</b>

This analysis of grant expenditure is consistent with the presentation in the Guide to funding 2019-20.<sup>79</sup>

<sup>a</sup> **Institutional recurrent 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.

<sup>b</sup> **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.

<sup>c</sup> **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.

<sup>d</sup> **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.

<sup>79</sup> Available at [www.officeforstudents.org.uk/publications/guide-to-funding-2019-20](http://www.officeforstudents.org.uk/publications/guide-to-funding-2019-20).

## Note 4: Staff costs

	Year ended 31 March 2020 £000	15-month period ended 31 March 2019 £000
<b>Staff with a permanent UK employment contract with the OfS</b>		
Salaries	17,384	15,236
National Insurance	1,799	1,513
Pension	4,365	3,004
<b>Total</b>	<b>23,548</b>	<b>19,753</b>
Cost of employing contract, agency and temporary staff	1,067	2,481
<b>Total staff costs</b>	<b>24,615</b>	<b>22,234</b>

Staff costs are analysed in the Remuneration and staff report on page 78.



## Note 5: Other administration costs

	Year ended 31 March 2020 £000	15-month period ended 31 March 2019 £000
<b>Non-pay administration costs</b>		
Staff-related and general administrative expenditure	1,172	1,916
Rental payments under other operating leases	1,211	1,272
Premises costs	872	1,349
Office costs	1,727	1,821
Board and committee members' fees and expenses	198	180
Audit fee	77	76
Rental payments under plant and machinery operating leases	18	28
Professional services	875	1,129
<b>Total non-pay administration costs</b>	<b>6,150</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 information technology costs, stationery, postage, catering and hospitality, and minor office equipment costs.

## Note 6: Income

	Year ended 31 March 2020 £000	15-month period ended 31 March 2019 £000
Registration fee	17,481	-
Income from joint initiatives	814	867
Service level agreements	600	649
Rental income	88	144
Income from other activities	69	96
<b>Total income</b>	<b>19,052</b>	<b>1,756</b>

Registration income is an annual fee charged to providers for their registration in the register of English higher education providers as per section 70 of the HERA 2017. The fees have been set by Parliament under the Higher Education (Registration Fees) Regulations 2019.<sup>80</sup> The OfS has the powers under section 72 to retain these fees as income.

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, the Student Loans Company and the Department for the Economy Northern Ireland, which includes facilities management and quality assurance.

<sup>80</sup> See <http://www.legislation.gov.uk/ukxi/2019/543/made>.

## Note 7: Property, plant and equipment

	Leasehold improvements £000	Furniture, fixtures and equipment £000	Information technology £000	Total £000
<b>Cost or valuation</b>				
At 1 April 2019	465	116	124	705
<b>At 31 March 2020</b>	<b>465</b>	<b>116</b>	<b>124</b>	<b>705</b>
<b>Depreciation</b>				
At 1 April 2019	265	116	111	492
Charge for period	67	-	13	80
<b>At 31 March 2020</b>	<b>332</b>	<b>116</b>	<b>124</b>	<b>572</b>
<b>Net book value at 31 March 2020</b>	<b>133</b>	<b>-</b>	<b>-</b>	<b>133</b>

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

The 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 disclosed in Note 12.

## Note 8a: Recoverable grants

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

	<b>As at 31 March 2020 £000</b>	<b>As at 31 March 2019 £000</b>
At 1 April	18,839	-
Transfer from HEFCE	-	31,651
Advanced during the year	-	-
Recovered during the year	(8,182)	(12,812)
<b>At 31 March</b>	<b>10,657</b>	<b>18,839</b>
Within one year	6,217	9,338
After one year	4,440	9,501
	<b>10,657</b>	<b>18,839</b>

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

As at 31 March 2020, zero (2018-19: 2) organisations had outstanding recoverable grants of £1,000,000 or more.

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. 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.

## Note 8b: Trade and other receivables

	As at 31 March 2020 £000	As at 31 March 2019 £000
<b>Receivables due within one year</b>		
Programme prepayments	1,989	3,377
Programme receivables	856	557
Trade prepayments	814	432
Trade and other receivables	273	48
<b>Total receivables</b>	<b>3,932</b>	<b>4,414</b>
Intra-government balances	374	585
Local authorities	-	1
<b>Total balances with other government bodies</b>	<b>374</b>	<b>586</b>
<b>Balances with non-government bodies</b>	<b>3,558</b>	<b>3,828</b>
<b>Total as per receivables note</b>	<b>3,932</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 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.

## Note 9: Cash and cash equivalents

	As at 31 March 2020 £000	As at 31 March 2019 £000
<b>Cash held under Government Banking Service</b>		
As at 1 April	7,570	-
Transfer from HEFCE and OFFA	-	6,169
Net change in cash and cash equivalents	7,368	1,401
<b>Total cash and cash equivalents as at 31 March</b>	<b>14,938</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 and the receipt of registration fee income in the 2019-20 academic year.

The OfS banks with the Government Banking Service (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.

## Note 10: Trade and other payables

	As at 31 March 2020 £000	As at 31 March 2019 £000
<b>Amounts falling due within one year</b>		
Trade payables – administration	152	161
Accruals – administration	1,965	2,253
Tax and social security	1,305	926
Trade payables – programme	27	135
Accruals – programme	604	2,941
Deferred income	6,591	-
Reimbursement to co-funding partner	2,284	2,190
	<b>12,928</b>	<b>8,606</b>
<b>Amounts falling due after one year</b>		
Reimbursement to co-funding partner	1,920	4,251
	<b>1,920</b>	<b>4,251</b>
<b>Total payables</b>	<b>14,848</b>	<b>12,857</b>
<b>Intra-government balances</b>		
Other central government bodies	1,305	926
Non-government bodies	13,543	11,931
<b>Total as per payables note</b>	<b>14,848</b>	<b>12,857</b>

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

'Accruals – administration' contains staff annual leave accrual that is included to reflect the requirements of IAS 19.

The tax and social security payable include amounts due to HM Revenue and Customs in arrears for National Insurance, Pay As You Earn and VAT.

'Trade payables – programme' includes 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.

'Deferred income' includes registration fee income paid in excess of the value of performance obligation at the year end.

'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.

## Note 11: Provisions for liabilities and charges

	As at 31 March 2020 £000	As at 31 March 2019 £000
Opening balance	324	-
Increase in provision	31	324
Closing balance	<b>355</b>	<b>324</b>
After one year	355	324
	<b>355</b>	<b>324</b>

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

## Note 12: Commitments under leases

	As at 31 March 2020 £000	As at 31 March 2019 £000
<b>Obligations under operating leases comprise:</b>		
<b>Buildings</b>		
Not later than one year	1,224	1,250
More than one year and not later than five years	1,918	3,597
	<b>3,142</b>	<b>4,847</b>
<b>Other</b>		
Not later than one year	-	4
	-	<b>4</b>

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 leave 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 and 9 January 2023.



## Note 13: Financial commitments and contingent liabilities

	As at 31 March 2020 £000	As at 31 March 2019 £000
<b>Commitments</b>		
Grant committed for the period April 2020 to July 2020	450,734	450,947
Grant committed for the next academic year August 2020 to July 2021	1,419,780	1,449,000

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.<sup>81</sup>

The OfS has committed to pay £2.3m to Jisc for Data Futures until September 2020 with a further £2.72m until August 2023. The full amount has not been recognised within the financial commitments because the split between academic year budgets is unknown.

As at 31 March 2020 there were no contingent liabilities.

<sup>81</sup> Available at [www.officeforstudents.org.uk/publications/guide-to-funding-2019-20](http://www.officeforstudents.org.uk/publications/guide-to-funding-2019-20).

## Note 14: Transfer from HEFCE and OFFA

The passage into law of HERA 2017 resulted in the closure of HEFCE and OFFA on 31 March 2018. A transfer order was put in place at midnight on that 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 were transferred between these entities in a practical way which reflected the service that each body provides. Teaching and associated services are provided by the OfS.

The balances were transferred by absorption and the effect on the financial statements is shown below. This note is included for prior year reference and has no impact on the 2019-20 accounts.

	<b>As at 1 April 2018 £000</b>
<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)
	<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>

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

## Note 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, and 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 net 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.

## Note 15: Related party transactions (continued)

	Year ended 31 March 2020 £000	15-month period ended 31 March 2019 £000
Margaret Monckton (Risk and Audit Committee member): The University of Nottingham, Chief Financial Officer	32,141	30,614
Dr Mary Bishop (Quality Assessment Committee member): The University of Bristol, Co-opted member of the Audit Committee	31,364	29,127
Professor Steve West CBE (board member): The University of the West of England, CEO and President	12,794	12,181
Professor Amanda Chetwynd (Quality Assessment Committee member): The University of Lancaster, Provost for Student Experience, Colleges and the Library	8,646	7,644
Chris Millward (Director for Fair Access and Participation): Royal College of Art (The) – partner is a director	5,617	-
Monisha Shah (board member): Rose Bruford College of Theatre and Performance, Chair	977	905
Nils Franke (Quality Assessment Committee member): University Century Colchester, Dean of Higher Education	516	-
Verity Hancock (board member): Leicester College, CEO and Principal	509	469
Paul Kirkham (Quality Assessment Committee member): Institute of Contemporary Music Performance (ICMP), Chief Executive	387	-
Kate Lander (board member): Truro and Penwith College – father-in-law is Governor and Chair of the Finance and General Purposes Committee	161	-
Verity Hancock (board member): Student Loans Company, Chair, Advanced Learner	(91)	(150)
Dr Mary Bishop (Quality Assessment Committee member): Architectural Association, Council member and Chair of Audit and Risk Committee	(37)	-

There are no outstanding balances with these parties as at 31 March 2020.

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.<sup>82</sup>

<sup>82</sup> The register of interests is 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).

## Note 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.

The OfS has considered the current situation regarding the coronavirus outbreak and concluded there is no financial impact to be reported

Office for Students  
Nicholson House  
Lime Kiln Close  
Stoke Gifford  
BRISTOL  
BS34 8SR

tel 0117 931 7317

[www.officeforstudents.org.uk](http://www.officeforstudents.org.uk)

CCS0320271432 06/20

978-1-5286-1907-3