

AGM/11/01

Registered No. 04823842 (England & Wales)
Charity No. 1141289

**THE OFFICE OF THE INDEPENDENT ADJUDICATOR
FOR HIGHER EDUCATION**
(A company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2013

THE OFFICE OF THE INDEPENDENT ADJUDICATOR FOR HIGHER EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2013

CONTENTS

	Pages
Legal and administrative information	1 - 2
Chair's introduction	3
Report of the trustees	4 - 10
Report of the independent auditors	11-12
Statement of financial activities	13
Balance sheet	14
Notes forming part of the financial statements	15 - 22

THE OFFICE OF THE INDEPENDENT ADJUDICATOR FOR HIGHER EDUCATION

(Registered number: 04823842)

LEGAL AND ADMINISTRATIVE INFORMATION

As at 31 December 2013

STATUS AND ADMINISTRATION

The Office of the Independent Adjudicator for Higher Education is a charitable company limited by guarantee, incorporated on 7 July 2003 and registered as a charity on 11 April 2011.

The charitable company was established under a Memorandum of Association that established the objects and powers of the charitable company and is governed under its Articles of Association.

TRUSTEES / DIRECTORS

The trustees of the charity and directors of the charitable company, who served throughout 2013, unless otherwise stated, were as follows :-

S J Denton	T D Price
Professor G C Elliott (appointed 8 January 2013)	Dr A J Purkis OBE
P H Forbes	Professor J J Raftery
B Gidoomal CBE	Dr M C Thomas CBE
C N C Haslam	Professor M P Thorne
P A Hermitage QPM	Dr C B Turner
M Humphriss	C Weir
E R E Lewis	R F Wenstone
Dr D McVitty	C Wilby
M H Merrifield	

Independent Trustees/Directors

B Gidoomal CBE	(Chair)
T D Price	(Deputy Chair)
C Wilby	
C N C Haslam	
C Weir	
Dr M C Thomas CBE	
Dr A J Purkis OBE	
P H Forbes	
E R E Lewis	

Representative Body	Nominated Trustees/Directors	Alternate Trustees/Directors
Association of Heads of University Administration	S J Denton	M Humphriss
The Committee of University Chairs	P A Hermitage	
GuildHE	M H Merrifield	Professor G C Elliott (from 8 January 2013)
Higher Education Wales	Dr C B Turner	
National Union of Students	R F Wenstone	Dr D McVitty
Universities UK	Professor M P Thorne	Professor J J Raftery

Trustees/Directors are appointed by the Board of Trustees. They are normally appointed for a term of 3 years and eligible to serve up to 2 terms.

THE OFFICE OF THE INDEPENDENT ADJUDICATOR FOR HIGHER EDUCATION

(Registered number: 04823842)

LEGAL AND ADMINISTRATIVE INFORMATION (Cont/d.)

As at 31 December 2013

SENIOR MANAGEMENT TEAM:

R F Behrens - Independent Adjudicator and Chief Executive
F Mitchell - Deputy Adjudicator
B P Elger - Chief Operating Officer and Company Secretary

COMPANY NUMBER 04823842 (England and Wales)

CHARITY NUMBER: 1141289

REGISTERED OFFICE AND ADDRESS

Kings Reach
38-50 Kings Road
Reading
Berkshire
RG1 3AA

PROFESSIONAL ADVISERS

BANKERS: HSBC
26 Broad Street,
Reading,
Berkshire
RG1 2BU

SOLICITORS: Field Seymour Parkes
1 London Street
Reading
Berkshire
RG1 4QW

AUDITORS: Crowe Clark Whitehill LLP
Statutory Auditors
Aquis House
49-51 Blagrove Street
Reading
RG1 1PL

ACCOUNTANTS: Chantrey Vellacott DFK
Prospect House
58 Queens Road
Reading
RG1 4RP

THE OFFICE OF THE INDEPENDENT ADJUDICATOR FOR HIGHER EDUCATION

(Registered number: 04823842)

CHAIR'S INTRODUCTION

For the year ended 31 December 2013

The OIA finished 2013 in a strong position. Institutions accepted the increase in the core subscription of 25%. This funding has been put to good use with an equivalent 25% increase in the number of cases closed during the year.

The membership profile of the Scheme has changed slightly, with four new members joining as a result of gaining new status, and a further three being admitted by the Board as Non Qualifying Institutions. At the same time a number of university mergers have taken place. During 2014 I expect to see further changes in membership, in particular from those alternative providers who can join as Non Qualifying Institutions.

Since the publication of the results of the Pathway 3 consultation late in 2012 the OIA has made great strides in promoting earlier and more effective practice in complaints and appeals handling. A number of successful pilots in universities and students' unions have trialled approaches including mediation, student conciliation services and closer cooperation with the students' union. The results of these will inform the establishment of a national Good Practice Framework for complaints and appeals handling, to be published following consultation in the autumn of 2014.

The total number of complaints reaching the OIA in 2013 was largely unchanged from 2012. The factors underlying this are not clear but may include greater emphasis on early resolution, investment in the student experience, the impact of the changes in the OIA subscription to incentivise early resolution by introducing a case fee element, as well as changes to the student profile.

The student experience remains at the front of universities' and governments' minds and the OIA's advice has been widely sought, including through its membership of the Regulatory Partnership Group. We have shared expertise internationally, including through hosting the 2013 conference of the European Network of Ombudsmen in Higher Education, attended by delegates from Europe, the Americas and Australia.

The external environment remains uncertain and we have returned a prudent surplus at a time of some uncertainty about the lease on the organisation's premises, and changes to the pension scheme to which most of our staff belong.

Over the year the OIA changed its staff profile, taking on more experienced case handlers, and increasing the size of the approvals team, within an overall increased headcount to around 55. This will lead to greater efficiencies in case handling. At the same time we have said goodbye to two long serving members of staff who played critical roles in getting the organisation up and running – Cheryl Emerton and Isobel Brown. I thank them for their enormous contribution to the OIA.

Finally I would like to pay tribute to the staff of the OIA. Under the outstanding leadership of Rob Behrens colleagues have made a huge difference to the organisation and to the students whose complaints we handle.

Ram Gidoomal

Chair of the Board of Trustees/Directors

THE OFFICE OF THE INDEPENDENT ADJUDICATOR FOR HIGHER EDUCATION

(Registered number: 04823842)

REPORT OF THE TRUSTEES

For the year ended 31 December 2013

The trustees, being also directors of the charitable company, present their annual report together with the financial statements for the year ended 31 December 2013. The report complies with the Charities Act 2011, and the directors' report as required by section 417 of the Companies Act 2006. The financial statements comply with the requirements of the Companies Act 2006, the charitable company's Memorandum and Articles of Association and the Charities Statement of Recommended Practice (SORP 2005).

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Board

The board currently comprises nineteen members (including alternates), all of whom are non-executive. There are six trustees nominated by the main representative bodies in higher education in England and Wales (the Association of Heads of University Administration, the Committee of University Chairs, GuildHE, Higher Education Wales, the National Union of Students and Universities UK). Some of these representative bodies have identified Alternative Trustees, who may stand in for the nominated trustees. The majority of voting board members are appointed as Independent Trustees.

Organisational Structure

The board is responsible for the strategic direction of The Office of the Independent Adjudicator for Higher Education; its funding and development; and the oversight of its performance. It meets at least four times each year. It has established standing committees - Finance, Audit, and Nominations and Remuneration. All standing committees are formally constituted with terms of reference, and include at least three trustees.

Trustee Induction and Development

All trustees receive a full induction. This includes an induction day, undertaken in a small group, and focusing on the role of Trustees/Directors, the process of OIA complaint handling and strategic issues and opportunities for the organisation. This is backed up by a pack of key information provided on appointment.

The OIA recently instigated a review programme for all Trustees where an individual opportunity is provided for a 'conversation with a purpose' with the Chair. This facilitates 2 way feedback and also allows the Chair to identify development needs.

An 'away-day' event is held once a year to allow Trustees to discuss in detail and be briefed upon key issues.

Risk Assessment

The board maintains oversight of the Corporate Risk Register, which comprises the major strategic, operational and business risks. The Register is continually monitored by the Management Team and regularly reviewed by the Audit Committee, which also examines the measures taken to mitigate the risks and reports to the board.

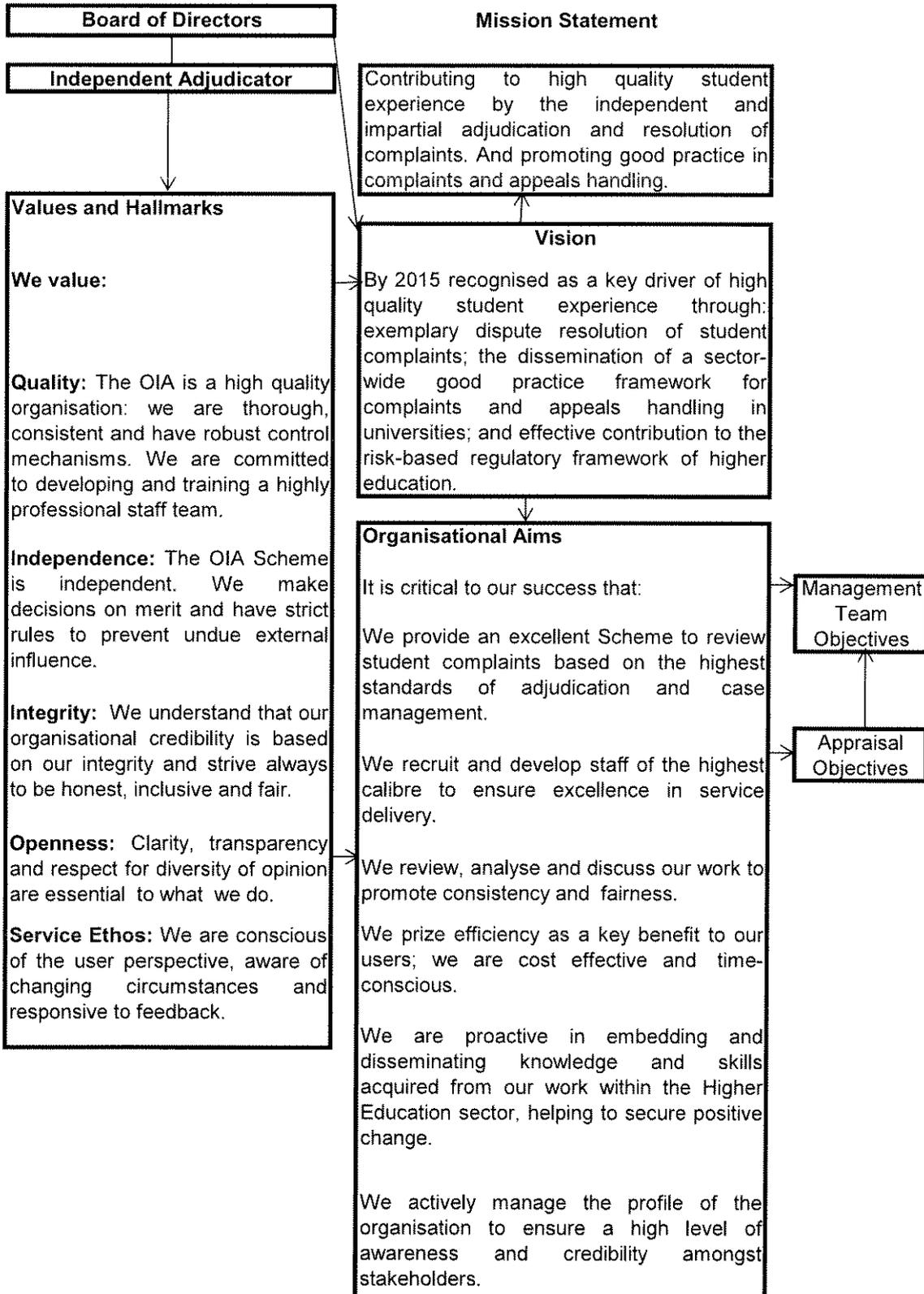
Charitable Objects

To advance education for the public benefit and to promote the efficiency and effectiveness of charities and the effective use of charitable resources (in particular but not limited to HEIs) by the operation of a scheme for the independent review of complaints brought by eligible students or former students.

THE OFFICE OF THE INDEPENDENT ADJUDICATOR FOR HIGHER EDUCATION

(Registered number: 04823842)
REPORT OF THE TRUSTEES (cont/d.)
For the year ended 31 December 2013

Strategic Plan



THE OFFICE OF THE INDEPENDENT ADJUDICATOR FOR HIGHER EDUCATION

(Registered number: 04823842)

REPORT OF THE TRUSTEES (*cont/d.*)

For the year ended 31 December 2013

OPERATING PLAN AND REPORT 2013

This report and plan is set out in accordance with the OIA organisational aims in our strategic plan. The finalised and complete version of the OIA Operating Plan is published in the relevant OIA Annual Report.

"We provide an excellent Scheme to review student complaints based on the highest standards of adjudication and case management."

Closure Levels

In 2013 we closed a record 2,251 cases at a unit cost of £1,660. In 2014 we expect to close 2,600 cases at a unit cost of £1,600. During 2013 we reduced our backlog of cases awaiting allocation to case-handlers by over 60 per cent. We expect to eliminate the remainder of the backlog by the end of 2014.

Settlements

The increased emphasis on early resolution in 2013 contributed to almost 9 per cent of complaints being settled without the need for full review, slightly short of the key performance indicator of 10 per cent. Given continuing refinement of our processes and the positive response to this approach from complainants and universities, we believe a 10 per cent target is constructive and achievable this year.

Compliance

The OIA has a responsibility to monitor compliance to encourage timely and careful implementation of its recommendations, both to provide individual redress and ensure expected changes to university procedures are made, and promptly to report cases of non-compliance.

In 2013, 90 per cent of student-centred recommendations were implemented by the specified date. In 2014, we aim to ensure this level of compliance continues and refine the way we track university procedure recommendations.

"We recruit and develop staff of the highest calibre to ensure excellence in service delivery."

Training

We are committed to training at all levels in the organisation and will once again carry out an extensive in-house training programme. In addition, a number of our staff will undertake or complete Ombudsman Association/ Queen Margaret University qualifications in complaints handling.

Targets

We will expand our individual performance targets to include consideration of the length of time taken on cases as well as overall output in terms of case closures. This is part of a strategy to reduce the number of cases that take much longer than average to close.

"We prize efficiency as a key benefit to our users: we are cost effective and time conscious."

Timescales

The organisation aims to ensure that the average 'turn-around' time for complaints is reduced as much as possible and recognise that even the most complex cases must be concluded in a reasonable timeframe.

In 2013, we closed 35 per cent of cases within six months of receipt of the complaint form against a target of 85 per cent. This difference mainly related to the size of the backlog of cases awaiting allocation at the start of the year. In 2014, we aim to be closing 75 per cent of cases within six months by the end of the year.

THE OFFICE OF THE INDEPENDENT ADJUDICATOR FOR HIGHER EDUCATION

(Registered number: 04823842)
REPORT OF THE TRUSTEES (*cont/d.*)
For the year ended 31 December 2013

Eligibility

It is important for complainants and universities to know as soon as possible whether the issues they are raising are able to be reviewed by the OIA. We made significant progress in this area in 2013. By December 2013 74 per cent of cases had eligibility decisions made (or a request for further information was sent) within 10 working days of the OIA receiving the complaint. By the end of 2014 we expect to increase this to 90 per cent.

Enquiries

In 2013 we dealt with a record 2,212 enquiries by telephone and email, providing information to students, universities and others about how to use the OIA Scheme or signposting them to other services where appropriate. We exceeded the objective of responding to 85 per cent of enquiries within two working days by the end of 2013 and this year plan to increase this to 90 per cent.

Membership

The OIA is committed to working towards a position where all higher education students can access the OIA if their complaint is not resolved internally. In 2013, four institutions became members as a result of a change in status, whilst three others chose to join under the Non Qualifying Institution provision. In 2014 we will explore ways of increasing the coverage of the OIA Scheme, and will continue to make contact on an individual basis with 'alternative' providers and Further Education colleges. The OIA has amended its subscription model so that all member institutions pay a core fee based on student numbers and a case related additional fee once a certain number of cases is reached.

"We review, analyse and discuss our work to promote consistency and fairness."

Annual letters

The OIA Annual Letters to universities are now established and recognised as providing important information for students, universities and the wider public on the complaints handling record of individual universities. In 2014 we will review the data and information requirements for the letters with a view to providing richer feedback.

Knowledge Management

A new system of knowledge management and knowledge sharing will be introduced in the Office early in 2014 based on improved technology and the designation of knowledge co-ordinators to monitor and capture developments relating to key issues affecting student complaints and OIA decisions.

"We are proactive in embedding and disseminating knowledge and skills acquired from our work within the Higher Education sector, helping to secure positive change."

Good Practice Framework/Early Resolution Pilots

In 2013 the OIA set up and led a steering group including the National Union of Students, the Academic Registrars' Council, the Association of Heads of University Administration and the Quality Assurance Agency to construct a model framework for complaints and appeals handling in higher education. This is a significant development in terms of OIA's mission to promote good practice in complaints and appeal handling and will be the subject of consultation with stakeholders in spring and summer 2014.

The framework will complement the UK Quality Code for Higher Education. It will be a non-statutory and consultative framework to inform institutional approaches and will be kept under review. The framework will be informed by the outcomes of Early Resolution pilots coordinated by the OIA in a number of universities and students' unions in 2013, continuing into 2014.

Regulatory Partnership Group (RPG)

We will continue to play an active role in ensuring a joined up approach between the organisations that are part of the HE regulatory framework in England. Subject to RPG funding this will include leading a project to map the complaints landscape, building on the higher education operating framework produced in 2013.

THE OFFICE OF THE INDEPENDENT ADJUDICATOR FOR HIGHER EDUCATION

(Registered number: 04823842)
REPORT OF THE TRUSTEES (*cont/d.*)
For the year ended 31 December 2013

"We actively manage the profile of the organisation to ensure a high level of awareness and credibility among stakeholders."

Communications

Following review of the OIA Scheme processes we will update online and other communications to ensure our Scheme can be more easily understood by students.

User Feedback

In 2014 we will review how we seek and follow up user feedback from both students and universities.

Outreach

The OIA has undertaken visits to 19 universities and students' unions during 2013. We will maintain this vital engagement to exchange ideas and information relating to complaint handling. We will continue to visit universities and students' unions as part of a wider outreach programme during 2014.

The OIA is promoting international collaboration in the sharing of good practice by providing the Secretariat for the European Network of Ombudsmen in Higher Education.

Public Benefit Statement

The Trustees confirm that they have complied with their duty in the Charities Act 2011 to have due regard to the guidance issued by the Charity Commission on public benefit. The OIA brings benefit to students, universities and the wider public as an independent scheme funded by universities (rather than directly by taxpayers) which can be accessed by all university students.

Students

The OIA benefits students by providing them with an independent mechanism for the review of complaints. If a complaint is found justified the OIA will try to frame a recommendation to overcome the detriment suffered by the student. If a complaint is found not justified the student still benefits from knowing that their case has been independently reviewed and this often helps with a sense of 'closure'.

Universities

The OIA benefits universities by providing them with feedback on their complaints handling processes allowing them to improve practices where necessary. The scheme enables universities to provide reassurance to present and future students that they handle complaints properly and that in the final instance complaints can be independently reviewed. The OIA's commitment to ideas sharing and good practice dissemination also helps to promote continuous improvement. Finally, the scheme prevents the diversion of time and resources into unnecessary litigation through the courts.

Wider Society

The OIA benefits wider society by helping to promote confidence in universities and the Higher Education sector. An independent complaints system provides significant reassurance about the quality of the student experience to potential students, parents, employers, Government and the taxpayer.

Barriers

As the scheme is free to all university students there is no financial restriction on a student bringing their case to the OIA and the scheme is designed so that legal representation is not needed. The key requirement is simply to have exhausted internal procedures at the relevant university.

THE OFFICE OF THE INDEPENDENT ADJUDICATOR FOR HIGHER EDUCATION

(Registered number: 04823842)

REPORT OF THE TRUSTEES (*cont/d.*) For the year ended 31 December 2013

The OIA accepts complaints from students at higher education institutions irrespective of social or economic status, background or previous location. The scheme includes postgraduate and undergraduate students studying on a full or part time basis.

Financial Review

The results for the year show total income of £3,867,988 (2012: £3,059,971) and a surplus of £129,903 (2012: £108,978). This is in line with the revised budget for the year.

Investment Policy and Performance

Funds surplus to short term working capital requirements are placed in short term deposits with various UK financial institutions. The rate of interest received is regularly reviewed.

Reserves Policy

The trustees reserve policy is based on providing sufficient reserves for working capital requirements, exceptional Judicial Review costs and future premises requirements.

The current level of reserves of £753,517 (2012: £623,614) is in line with the parameters set by the above policy.

Trustees Responsibilities

Company law requires the trustees to prepare financial statements for each financial year that give a true and fair view of the charitable company's state of affairs and of its incoming resources and application of resources, including income and expenditure, for the financial year. In preparing those financial statements, the trustees are required to:-

- Select suitable accounting policies and apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue to operate.

The trustees are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the financial statements comply with the Companies Act 2006. The trustees are also responsible for safeguarding the assets of the charitable company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees confirm that so far as they are aware, there is no relevant audit information of which the charitable company's auditors are unaware. They have taken all the steps that they ought to have taken as trustees in order to make themselves aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies, and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

**THE OFFICE OF THE INDEPENDENT ADJUDICATOR FOR
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(Registered number: 04823842)

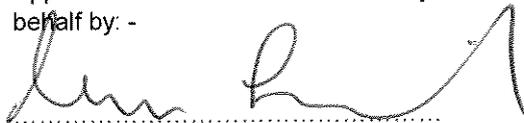
REPORT OF THE TRUSTEES (cont/d)

For the year ended 31 December 2013

Auditors

A resolution to re-appoint Crowe Clark Whitehill LLP as the charitable company's auditor will be proposed at the Annual General Meeting.

Approved and authorised for issue by the board of trustees on 28/3/14 and signed on their behalf by: -



B Gidoomal - Trustee

THE OFFICE OF THE INDEPENDENT ADJUDICATOR FOR HIGHER EDUCATION

(Registered number: 04823842)

Report of the Independent Auditors to the Trustees

For the year ended 31 December 2013

We have audited the financial statements of The Office of the Independent Adjudicator for Higher Education for the year ended 31 December 2013 which comprise the Statement of Financial Activities, the Balance Sheet, and the related notes numbered 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Charitable Company's members, as a body, in accordance with Section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the Charitable Company's members those matters we are required to state in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charitable Company and the Charitable Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Trustees and Auditors

As explained more fully in the Trustees' Responsibilities Statement set out on page 10, the Trustees' (who are also the directors of The Office of the Independent Adjudicator for Higher Education for the purpose of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

The trustees have elected for the financial statements to be audited in accordance with the Charities Act 2011. Accordingly we have been appointed as auditors under Section 144 of the Charities Act 2011 and report in accordance with regulations made under Section 154 of that Act.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees' and the overall presentation of the financial statements.

We read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**THE OFFICE OF THE INDEPENDENT ADJUDICATOR FOR
HIGHER EDUCATION**

(Registered number: 04823842)

**Report of the Independent Auditors to the Trustees
For the year ended 31 December 2013**

Opinion

In our opinion the financial statements:-

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2013 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- give a true and fair view, in accordance with the United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the Companies Act 2006;

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Report of the Trustees' is inconsistent in any material respect with the financial statements; or
- the charitable company has not kept adequate accounting records; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Crowe Clark Whitehill

Crowe Clark Whitehill LLP
Statutory Auditor
Aquis House
49-51 Blagrove Street
Reading
RG1 1PL

Dated: 16 April 2014

Crowe Clark Whitehill LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

**THE OFFICE OF THE INDEPENDENT ADJUDICATOR FOR
HIGHER EDUCATION**

(Registered number: 04823842)

STATEMENT OF FINANCIAL ACTIVITIES
(incorporating an Income & Expenditure Account)
For the year ended 31 December 2013

	Notes	Unrestricted Funds £	Total 2013 £	Total 2012 £
Income Resources				
<i>Income from charitable activities</i>				
Subscriptions		3,851,033	3,851,033	3,041,690
Workshop income		-	-	3,520
<i>Income from generated funds</i>				
Other income		2,843	2,843	1,106
Investment income	2	14,112	14,112	13,655
Total incoming resources		3,867,988	3,867,988	3,059,971
Resources Expended				
Charitable activities				
		3,694,009	3,694,009	2,904,808
Governance costs		44,076	44,076	46,185
Total resources expended	3	3,738,085	3,738,085	2,950,993
Net incoming resources		129,903	129,903	108,978
Net movement in funds for the year		129,903	129,903	108,978
Total funds at 1 January 2013		623,614	623,614	514,636
Total funds at 31 December 2013	12,13	753,517	753,517	623,614

The amounts derive from continuing activities. All gains and losses recognised in the year are included in the statement of financial activities.

The notes on pages 15 to 22 form part of these financial statements.

**THE OFFICE OF THE INDEPENDENT ADJUDICATOR FOR
HIGHER EDUCATION**
(Registered number: 04823842)
BALANCE SHEET AT 31 DECEMBER 2013

	Notes	2013		2012	
		£	£	£	£
FIXED ASSETS					
Tangible assets	7		78,868		282,936
CURRENT ASSETS					
Debtors	8	87,931		69,344	
Cash at bank and in hand		3,709,241		3,437,025	
		<u>3,797,172</u>		<u>3,506,369</u>	
CREDITORS:					
Amounts falling due within one year	9	<u>(3,122,523)</u>		<u>(3,165,691)</u>	
NET CURRENT ASSETS			674,649		340,678
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>753,517</u>		<u>623,614</u>
FUNDS					
Unrestricted Funds					
General fund	12		753,517		623,614
			<u>753,517</u>		<u>623,614</u>

The company is entitled to exemption from audit under section 477 of the Companies Act 2006 for the year ended 31 December 2013. The members have not required the company to obtain an audit of its financial statements for the year ended 31 December 2013 in accordance with section 476 of the Companies Act 2006.

The Board of Trustees acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and preparation of accounts.

The Board of Trustees have elected for the financial statements to be audited in accordance with the Charities Act 2011 rather than Companies Act 2006.

The financial statements were approved and authorised for issue by the Board of Trustees on 28/03/2014 and are signed on their behalf by:-



B Gidoomal - Trustee

The notes on pages 15 to 22 form part of these financial statements.

THE OFFICE OF THE INDEPENDENT ADJUDICATOR FOR HIGHER EDUCATION

(Registered number: 04823842)
 NOTES FORMING PART OF THE FINANCIAL STATEMENTS
 For the year ended 31 December 2013

1 STATEMENT OF ACCOUNTING POLICIES

Basis of preparation

The financial statements of the charitable company are prepared under the historical cost convention and in accordance with Financial Reporting Standard for Smaller Entities (effective April 2008), the Companies Act 2006, and the current statement of recommended practice (SORP 2005), "Accounting and Reporting by Charities".

Going Concern Basis

After making enquiries, the trustees have a reasonable expectation that the charity has adequate resources to continue its activities for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements as outlined in the Statement of Trustees Responsibilities.

Fund accounting

General funds are unrestricted funds that are available for use at the discretion of the trustees in furtherance of the general objectives of the charitable company and have not been designated for other purposes.

Incoming Resources

All incoming resources are included in the statement of financial activities when the charitable company is legally entitled to the income and the amount can be quantified with reasonable accuracy.

Subscriptions

Subscription income is receivable from higher education institutions in England and Wales.

Resources expended

Resources expended are accounted for on an accruals basis. Certain expenditure is apportioned to cost categories based on the estimated amount attributable to that activity in the year. The irrecoverable element of VAT is included with the item of expense to which it relates.

Governance costs comprise the costs of running the charity, such as the costs of board and committee meetings,

Tangible fixed assets and depreciation

Depreciation is provided on all tangible assets in order to write off their cost less residual value over their estimated useful lives at the following annual rates:-

Leasehold improvements	Straight line over the term of the lease
Furniture, fixtures and equipment	25% straight line
Computer equipment	25% straight line
Infrastructure costs	Straight line over the term of the lease

Individual assets under £1,000 are not capitalised.

Pension schemes

The Office of the Independent Adjudicator for Higher Education participates in the Universities Superannuation Scheme, a defined benefit scheme funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. The Office of Independent Adjudicator for Higher Education is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore as required by FRS 17 Retirement Benefits, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Financial Activities represents the contributions payable to the scheme in respect of the accounting period. The provisions of the Financial Reporting Standard for Smaller Entities (FRSSE) have not been followed, as the revised FRSSE does not allow for this simplified treatment.

THE OFFICE OF THE INDEPENDENT ADJUDICATOR FOR HIGHER EDUCATION

(Registered number: 04823842)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (cont'd.)

2	BANK AND OTHER INTEREST		2013	2012
			£	£
	Bank interest receivable		14,112	13,655
			<u> </u>	<u> </u>
3	TOTAL RESOURCES EXPENDED			
		Staff Costs	Other	Depreciation
		£	£	£
	Charitable activities			
	Charitable activities	2,353,134	558,184	54,867
	Premises	-	184,561	80,419
	Support costs	145,210	221,136	96,498
		<u> </u>	<u> </u>	<u> </u>
		2,498,344	963,881	231,784
		<u> </u>	<u> </u>	<u> </u>
	Governance costs	32,556	11,520	-
		<u> </u>	<u> </u>	<u> </u>
	Total costs	2,530,900	975,401	231,784
		<u> </u>	<u> </u>	<u> </u>
			<u> </u>	<u> </u>
4	EXPENDITURE		2013	2012
			£	£
	Charitable activities include:			
	Operating lease charges		85,946	96,948
	Depreciation		231,784	138,264
	Loss on disposal		-	2,796
	Trustee / Director costs		32,520	33,880
	Pension costs		274,738	240,776
	Governance costs include:			
	Auditors' remuneration		11,520	11,184
			<u> </u>	<u> </u>
5	TAXATION			

The company is a registered charity. It has no liability to corporation tax on bank interest received or its charitable activities.

**THE OFFICE OF THE INDEPENDENT ADJUDICATOR FOR
HIGHER EDUCATION**

(Registered number: 04823842)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (cont'd.)

6 STAFF COSTS

	2013 £	2012 £
Wages and salaries	2,075,329	1,654,978
Social security costs	180,833	148,502
Pension contributions	274,738	240,776
	<u>2,530,900</u>	<u>2,044,256</u>

The average number of employees during the year was:

No.	No.
58	47
<u>58</u>	<u>47</u>

The numbers of employees whose emoluments exceeded £60,000 during the year, were:

£60,000 - £70,000	-	1
£80,000 - £90,000	1	1
£90,000 - £100,000	1	-
£130,000 - £140,000	-	1
£150,000 - £160,000	1	-
	<u>3</u>	<u>3</u>

The number of those higher paid employees who accrued benefits under a defined benefit pension scheme during the year, were:

3	3
<u>3</u>	<u>3</u>

Pension contributions for above employees

39,696	45,605
<u>39,696</u>	<u>45,605</u>

In accordance with the company's Memorandum and Articles of Association and Charity Commission guidance meeting attendance allowances totalling £26,520 (2012: £27,880) were paid to 9 trustees during the year. In addition the Chair received an annual allowance of £6,000 (2012: £6,000). In addition to these, expenses of £2,169 (2012: £1,384) were reimbursed.

THE OFFICE OF THE INDEPENDENT ADJUDICATOR FOR HIGHER EDUCATION

(Registered number: 04823842)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (cont'd.)

7 TANGIBLE ASSETS

	Fixtures, Infrastructure and computer equipment £	Leasehold improvements £	Total £
Cost			
At 1 January 2013	428,768	273,278	702,046
Additions	27,716	-	27,716
Disposals	-	-	-
	<u>456,484</u>	<u>273,278</u>	<u>729,762</u>
At 31 December 2013	<u>456,484</u>	<u>273,278</u>	<u>729,762</u>
Depreciation			
At 1 January 2013	249,027	170,083	419,110
Charge for the year	151,365	80,419	231,784
Eliminated on disposal	-	-	-
	<u>400,392</u>	<u>250,502</u>	<u>650,894</u>
At 31 December 2013	<u>400,392</u>	<u>250,502</u>	<u>650,894</u>
Net Book Value			
At 31 December 2012	<u>179,741</u>	<u>103,195</u>	<u>282,936</u>
At 31 December 2013	<u>56,092</u>	<u>22,776</u>	<u>78,868</u>

8 DEBTORS

	2013 £	2012 £
Trade debtors	-	733
Other debtors	87,931	68,611
	<u>87,931</u>	<u>69,344</u>
	<u>87,931</u>	<u>69,344</u>

9 CREDITORS

Amounts falling due within one year

	2013 £	2012 £
Trade creditors	40,512	81,387
Social security and other taxes	60,687	47,983
Other creditors	231,854	117,671
Subscriptions received in advance	2,789,470	2,918,650
	<u>3,122,523</u>	<u>3,165,691</u>
	<u>3,122,523</u>	<u>3,165,691</u>

THE OFFICE OF THE INDEPENDENT ADJUDICATOR FOR HIGHER EDUCATION

(Registered number: 04823842)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (cont'd.)

10 OPERATING LEASE COMMITMENT

	2013	2012
	£	£
The following lease payments are committed to be paid:		
Expiring:		
Within one year	21,846	-
Between two and five years	-	85,944
	-	85,944

11 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Fixed Assets £	Net Current Assets / (Liabilities) £	Total £
Unrestricted Funds			
General Reserves	78,868	674,649	753,517
	78,868	674,649	753,517

12 UNRESTRICTED FUNDS

	Balance 01/01/2013 £	Incoming Resources £	Resources Expended £	Balance 31/12/2013 £
General Reserves	623,614	3,867,988	(3,738,085)	753,517
	623,614	3,867,988	(3,738,085)	753,517

13 RECONCILIATION IN MOVEMENT IN FUNDS

	2013 £	2012 £
Retained surplus / (deficit) for the year	129,903	108,978
Funds at 1 January 2013	623,614	514,636
	753,517	623,614

THE OFFICE OF THE INDEPENDENT ADJUDICATOR FOR HIGHER EDUCATION

(Registered number: 04823842)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (cont/d.)

14 PENSIONS

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2013 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 93% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the USS trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

THE OFFICE OF THE INDEPENDENT ADJUDICATOR FOR HIGHER EDUCATION

(Registered number: 04823842)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (cont/d.)

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

As at the valuation date the Scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of Salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the previous valuation as at 31 March 2008 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

New Entrants

Other than in specific, limited circumstances, new entrants are now provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

Normal pension age

The Normal pension age was increased for future service and new entrants, to age 65.

Flexible Retirement

Flexible retirement options were introduced.

Member contributions increased

Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

Cost sharing

If the total contribution level exceeds 23.5% of salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

Pension increase cap

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

The actuary has estimated that the funding level as at 31 March 2013 under the scheme-specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are cited as the two most significant factors affecting the funding positions which have been taken into account for the March 2013 estimation.

On the FRS17 basis, using an AA bond discount rate of 4.2% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2013 was 68%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 55%.

THE OFFICE OF THE INDEPENDENT ADJUDICATOR FOR HIGHER EDUCATION

(Registered number: 04823842)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2013 (cont/d.)

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

At 31 March 2013, USS had over 148,000 active members and the institution had 53 active members participating in the scheme as at 31 December 2013.

The total pension cost for the institution was £274,738 (2012: £240,776). The contribution rate payable by the institution was 16% of pensionable salaries.

15 RELATED PARTY DISCLOSURES

Some trustees also hold senior positions at Higher Education Institutions. During the year in accordance with the requirements of the Higher Education Act (2004) these Institutions paid subscriptions to the company. These fees are calculated on an arms length basis and in accordance with a defined formula.

No further related party disclosures are provided as the transactions are not material to either the Institutions or the Office of the Independent Adjudicator for Higher Education.

The board of trustees has no involvement in the administration or adjudication of individual cases.