

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

(Registered number: 04823842; Charity number: 1141289)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

11	LIABILITIES				
	<i>Amounts falling due after one year</i>			2020	2019
				£	£
	Other creditors			206,223	266,820
				<u> </u>	<u> </u>
12	PENSION PROVISION				
		2020		2019	
		£	£	£	£
	Provision b/fwd		1,447,429		670,274
	Employer contributions relating to the recovery plan	(49,396)		(64,167)	
	Unwinding of the discount rate	28,949		19,438	
	Impact changes in assumptions during the year	324,929		55,721	
	Impact of change in recovery plan	-		766,163	
	Net movement		<u>304,482</u>		<u>777,155</u>
	Provision c/fwd		<u>1,751,911</u>		<u>1,447,429</u>

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) has arisen from the contractual obligation of employers within the scheme, including the OIA, to make additional contributions to reduce the overall deficit arising from past performance. An assessment has been made of the expected future employees within the scheme and the salary payments over the period of the contracted obligation in assessing the value of this provision.

During 2019 a revised recovery plan was approved based on the March 2018 actuarial valuation which showed a deficit of £3.6bn. The revised plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028. The above recovery plan payments are included with the overall employer contribution rates which have been factored into the OIA budgeting process.

13 OPERATING LEASE COMMITMENT

The following total lease payments are committed to be paid under non-cancellable operating leases:

	2020	2019
	£	£
Within one year	282,479	282,479
Within two to five years inclusive from the balance sheet date	961,341	1,243,821

14 FINANCIAL INSTRUMENTS

Financial instruments included in the accounts comprise:

	2020	2019
	£	£
Financial liabilities measured at fair value	(1,751,911)	(1,447,429)

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15 ANALYSIS OF NET ASSETS BETWEEN FUNDS

At 31 December 2020

	Fixed Assets £	Net Current Assets / (Liabilities) £	Long term Liabilities £	Total £
Unrestricted Funds				
General Reserves	193,964	1,856,639	(206,223)	1,844,380
Pension Reserve	-	-	(1,751,911)	(1,751,911)
	193,964	1,856,639	(1,958,134)	92,469
	193,964	1,856,639	(1,958,134)	92,469

At 31 December 2019

	Fixed Assets £	Net Current Assets / (Liabilities) £	Long term Liabilities £	Total £
Unrestricted Funds				
General Reserves	273,397	1,309,513	(266,820)	1,316,090
Pension Reserve	-	-	(1,447,429)	(1,447,429)
	273,397	1,309,513	(1,714,249)	(131,339)
	273,397	1,309,513	(1,714,249)	(131,339)

16 UNRESTRICTED FUNDS

At 31 December 2020

	Balance 1 January 2020 £	Income £	Expenditure £	Balance 31 December 2020 £
General Reserves	1,316,090	5,881,182	(5,352,892)	1,844,380
Pension Reserve	(1,447,429)	-	(304,482)	(1,751,911)
	(131,339)	5,881,182	(5,657,375)	92,469
	(131,339)	5,881,182	(5,657,375)	92,469

UNRESTRICTED FUNDS

At 31 December 2019

	Balance 1 January 2019 £	Income £	Expenditure £	Balance 31 December 2019 £
General Reserves	777,889	5,446,764	(4,908,563)	1,316,090
Pension Reserve	(670,274)	-	(777,155)	(1,447,429)
	107,615	5,446,764	(5,685,718)	(131,339)
	107,615	5,446,764	(5,685,718)	(131,339)

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17 RECONCILIATION IN MOVEMENT IN FUNDS

	2020	2019
	£	£
Retained (deficit)/surplus for the year	528,290	538,201
Decrease/(increase) in pension reserve	(304,482)	(777,155)
Funds at 1 January	(131,339)	107,615
	92,469	(131,339)
Funds at 31 December	92,469	(131,339)

18 PENSIONS

The OIA participates in the Universities Superannuation Scheme (USS). In 2016 the scheme changed from a defined benefit only scheme to a hybrid pension scheme, providing defined benefits (for all members) as well as defined contribution benefits. The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The charity is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the charity's employees. In 2020, the percentage was 22.5% until March 2020 then 24.2% (2019: 19.5%). The charity is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were a defined contribution scheme.

The total cost charged to the profit and loss account is £633,371 (2019: £512,796) as shown in note 7. There was neither a prepayment nor an accrual at the end of the financial year in respect of these contributions. The disclosure below represents the position from the scheme's financial statements.

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18 PENSIONS

As at the year end the latest available complete actuarial valuation of the Retirement Income Builder section of the scheme was at 31 March 2018 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2020 is underway but not yet complete.

Since the OIA cannot identify its share of the USS Retirement Income Builder Section of the scheme assets and liabilities, the following disclosures reflect those relevant for the section as a whole.

The 2018 valuation was the fifth 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.

Actuarial valuation date	31 March 2018	31 March 2017
Valuation method		Projected Unit
Value of scheme assets	£63.7bn	£60.0bn
Value of technical provisions	£67.3bn	£67.5bn
Net pension deficit	£3.6bn	£7.5bn
Funding level from accrued benefits	95.0%	89.0%

The key assumptions used in the 2018 valuation are described below:

Financial assumptions	31 March 2018	31 March 2017
Market derived price inflation	In line with the difference between Fixed Interest & Index-Linked yield curves	
Inflation Risk Premium (IRP)	0.3% p.a.	0.3% p.a.
Price inflation (RPI)	Market derived price inflation less IRP	
RPI / CPI gap	1.0% p.a.	1.0% p.a.
Price inflation (CPI)	RPI less RPI / CPI gap	
Pension increases in payment	CPI assumption (for both pre and post 2011 benefits)	
Discount rate:	Years 1-10: CPI +0.14% reducing linearly to CPI -0.73%	Years 1-10: CPI -0.53% reducing linearly to CPI -1.32%
	Years 11-20: CPI +2.52% reducing linearly to CPI +1.55% by year 21	Years 11-20: CPI +2.56% reducing linearly to CPI +1.7% by year 21
	Years 21+: CPI +1.55%	Years 21+: CPI +1.7%

Demographic assumptions	31 March 2018	31 March 2017
Mortality - base table	Pre- retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females	
	Post-retirement: 97.6% of SAPS S1NMA "light" for males and 102.7% of RFV00 for females	Post-retirement: 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females

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18 PENSIONS

As disclosed in note 12, a provision of £1,751,911 has been made at 31 December 2020 (2019: £1,447,429) for the present value of the estimated future deficit funding element of the contributions payable under the recovery plan agreement. Budgeted and forecasted headcount increases have been included in determining the level of this provision and that the relevant earnings of these employees will increase in line with the OIA's projected long-term salary rate increases.

19 RECONCILIATION OF NET (EXPENDITURE)/INCOME TO NET CASH INFLOWS FROM OPERATIONS

	2020	2019
	£	£
Net movement in funds	223,807	(238,954)
Add back depreciation charge	71,633	92,771
Add back loss on disposal of fixed assets	7,800	-
Deduct investment income shown in investing activities	(11,150)	(22,676)
(Decrease)/increase debtors	(73,500)	(26,027)
Increase/(decrease) in creditors	59,314	(76,036)
Increase/(decrease) in pension provision	304,482	777,155
Underlying cash provided by operating activities	<u>582,386</u>	<u>506,233</u>
Increase/(decrease) in subscriptions in advance	683,523	1,330,825
Net cash provided / (used) by operating activities	<u><u>1,265,909</u></u>	<u><u>1,837,058</u></u>

20 ANALYSIS OF MOVEMENT IN NET DEBT

	At 1 January 2020	Cashflow	At 31 December 2020
	£	£	£
Cash at bank and in hand	<u>4,573,647</u>	<u>1,277,059</u>	<u><u>5,850,706</u></u>

21 RELATED PARTY DISCLOSURES

Payments to Trustees are disclosed in note 7.

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

The Board of Trustees has no involvement in the administration or adjudication of individual cases.

There were no other related party transactions during the current or preceding year.