



Education & Skills  
Funding Agency

# **College accounts direction 2020 to 2021**

**Financial reporting requirements for  
further education and sixth-form college  
corporations**

**March 2021 (amended December 2021)**

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## Summary

The College Accounts Direction 2020 to 2021 sets out Education and Skills Funding Agency's (ESFA's) financial reporting requirements for further education and sixth-form college corporations for their financial year ending 31 July 2021.

We publish the accounts direction on behalf of the Secretary of State for Education, in their role as principal regulator of corporations as [exempt charities](#). Compliance with this accounts direction is a requirement in corporations' funding agreements with ESFA.

## Designated institutions

We use the term corporation to refer to sixth-form and further education corporations, established under the [Further and Higher Education Act 1992](#), where members of the corporation form the governing body. Requirements in this guidance apply equally to institutions designated under Section 28 of the same Act as being in the further education sector, to the extent permitted by their legal status and underlying legislation.

## Status

We plan to update this document annually. This edition applies to all financial reporting periods commencing on or after 1 August 2020. It will remain in force until such time as it is replaced.

In 2020 the ESFA published a supplementary bulletin to the College Accounts Direction 2019 to 2020 and the Post-16 Audit Code of Practice 2019 to 2020 which considered the impacts of COVID-19. The ESFA may publish further documents of this nature, which will have the same status as the College Accounts Direction and the Post-16 Audit Code of Practice. It is a requirement of this document that colleges apply the provisions of such bulletins.

## Who is this publication for?

This accounts direction is primarily for use by:

- principals / accounting officers, chief executives and finance directors
- governors as charity trustees
- external auditors / reporting accountants

This document does not apply to specialist post-16 institutions, non-maintained special schools or independent training providers. Academy trusts with post-16 provision should refer to the [Academies Accounts Direction](#). Higher education institutions that are part-

funded by the ESFA will be deemed to meet the requirements of this accounts direction if they comply with the extant accounts direction issued by the Office for Students (OfS).

This document does not apply to institutes of technology operating in the relevant accounting period, but any college corporations that are the lead provider in relation to an institute of technology must consolidate the financial records of that institute within the corporation's accounts as required by the [Statement of Recommended Practice: Accounting for Further and Higher Education 2019 edition](#) (FE and HE SORP).

## What has changed in the 2021 edition?

Changes in the 2021 edition include:

- specifying that corporations should notify the ESFA as soon as a situation which may impact its going concern assessment arises ([para. 3](#))
- an update to part 2 of the Direction to reflect the changes in the required financial submissions to ESFA ([para. 11](#))
- removing the details of the March 2018 amendments to FRS102, which have been in place since 1 January 2020
- inclusion of a link to the DfE's governance guide ([Annex A](#))
- a requirement for the statement of corporate governance and internal control to include the number of audit committee meetings which took place in the year, and attendance records for each committee member ([Annex A](#))
- confirmation that ESFA will continue to collect staff numbers on the basis of full-time equivalents through the finance record (or equivalent), and that colleges may wish to provide this information in the accounts ([Annex D](#))
- a requirement for severance payments and compensation for loss of office paid to the accounting officer and the highest-paid member of key management personnel to be separately disclosed ([Annex D](#))
- confirmation that the ESFA intends to publish an updated supplementary bulletin relating to issues arising from the COVID-19 pandemic ([Annex D](#))
- inclusion of key points which should be included in the financial review of the corporation as best practice ([Annex D](#))
- highlighting the defined benefit pension plan disclosures required by FRS102 ([Annex D](#))

## Clarification of terms

We use the terms 'must' and 'should' in this document:

- must – means a funding agreement condition or requirement

- should – identifies minimum good practice for which there is no requirement, but which corporations should apply unless an alternative better suits their circumstances

## Further information and feedback

Additional guidance on the application of the requirements of this Accounts Direction and on various other relevant accounting and disclosure requirements is available in the [College Accounts Direction Handbook](#) published by the Association of Colleges (AoC), which also produces a set of [model accounts](#) that show how a further education or sixth form college corporation could apply the requirements of the College Accounts Direction and of the underpinning financial reporting framework. Corporations and their auditors can also ask the ESFA questions via an on-line [enquiry form](#).

We are grateful to the individuals and organisations that have made suggestions or observations about this document. If you have suggestions for future editions please contact the [ESFA](#).

# Part 1: Submission requirements

## Submission of documents

1. Corporations must submit the following documents to ESFA by 31 December 2021:

- a signed copy of the audited annual report and financial statements (the accounts) including the corporation's statement of regularity, propriety and compliance and the reporting accountant's report on regularity
- external auditor's management letter, including the corporation's responses to the findings raised
- annual report of the corporation's audit committee
- audited accounts of all subsidiary companies (if any)
- any returns which are required by the College Financial Planning Handbook

2. The above documents should be submitted to the ESFA via the [College financial data submissions portal](#). There is no requirement to submit:

- hard copies of documents to the ESFA
- documents by email or in hard copy form to the OfS – the ESFA will share information with the OfS to facilitate their conditions of registration compliance monitoring

3. We take late submission of financial information very seriously and corporations that miss key deadlines risk ESFA [intervention](#). It is important corporations inform the ESFA at the earliest opportunity if the deadline of 31 December may be missed. For example, corporations should not wait until 31 December to notify the ESFA, if they are experiencing financial difficulties or bank covenant breaches, which may impact the corporation's going concern assessment and conclusion thereon and therefore the auditor's ability to conclude their work based on this. Corporations should notify the ESFA as soon as any such situation arises.

## Extended and short period accounts

4. Corporations can only produce extended period final accounts if:

- this does not contravene their articles of government
- the receiving corporation can meet the 31 December 2021 deadline, and
- the ESFA's prior approval has been obtained

5. Corporations producing either extended period final accounts beyond 31 July 2021 or short period final accounts ending prior to 31 July 2021 must meet the requirements and timescales set out above.

6. In respect of business combinations, the chair and accounting officer of the receiving corporation are responsible for signing, and submitting to the ESFA, the audited accounts of a dissolving corporation by 31 December 2021.

## Approval of documents

7. Financial statements must be approved by the corporation and signed as follows:

Component	Signatory
Members' report (or equivalent)	Chair of governors
Balance sheet(s)	Accounting officer and one other member of the corporation (usually chair of governors)
Statement of corporate governance and internal control ( <a href="#">Annex A</a> )	Accounting officer and chair of governors
Statement of regularity, propriety and compliance ( <a href="#">Annex B</a> )	
Statement of responsibilities of the members of the corporation ( <a href="#">Annex C</a> )	Chair of governors

8. Components should be signed on the same date, which should be on or very shortly before the date the auditor signs their audit opinion and regularity report. The date of approval must be stated.

## Publishing accounts

9. Corporations must publish their audited accounts in an easily accessible location on their website. To maximise transparency and to support accountability this should be done as soon as possible after the accounts are signed and must be no later than 31 January 2022. Corporations must also retain at least two years of accounts on their website. As charities, corporations must also provide their accounts to anyone requesting a copy. Corporations that are registered with the OfS should also be mindful of the OfS' publication requirements and timeline.

10. Stakeholders have a right to expect information on the financial performance and results of a corporation to be published on their website. Failure to do so is a breach of the corporation's funding agreement with the ESFA.



## Part 2: Submissions to ESFA

### The finance record

11. Corporations were asked to submit a finance record to ESFA by 31 January 2021, which incorporated a financial outturn statement for the year 2019 to 2020 and a budget forecast for the year 2020 to 2021. Details of subsequent financial returns relating to the year 2020 to 2021, required by corporations will be published in the [College Financial Planning Handbook](#).

### Benchmarking

12. The ESFA will use the data for 2020 to 2021 from the finance record to support the financial [benchmarking tool for colleges or equivalent](#). The tool allows corporations to compare their financial performance with others in the sector. It is important corporations ensure all tabs in the finance record are completed accurately.

## Part 3: Basis for preparing accounts

### Financial accounting framework

13. In preparing their accounts, corporations must follow the financial accounting framework of:

- [FRS 102 \(Financial Reporting Standard 102\)](#); and
- [FE and HE SORP \(Statement of Recommended Practice: Accounting for Further and Higher Education\)](#)

### Financial Statements

14. Corporations' statements, as required by the FE and HE SORP, must comprise:

- a statement of principal accounting policies and estimation techniques
- a statement of comprehensive income presenting the financial performance during the reporting period of the corporation, and a statement of comprehensive income of the consolidated group, if such a group exists
- a statement of changes in reserves of the corporation and a statement of changes in reserves of the consolidated group, if such a group exists
- a statement of financial position presenting the financial position of the corporation, and a statement of financial position of the consolidated group, if such a group exists, at the end of the reporting period
- a statement of cash flows of the corporation, and a statement of cash flows of the consolidated group, if such a group exists
- notes to the financial statements

### Related reports and statements

15. As required by the FE and HE SORP, corporations must publish the following reports with the financial statements:

- a strategic report (which may also be called a treasurer's report, members' report, directors' report, report of the governing body or trustees' annual report)
- a statement of corporate governance and internal control

- a statement of responsibilities of the governing body (if not included in the statement of corporate governance and internal control) and
- an independent auditor's report

16. In addition to the above, the financial statements will also include a reporting accountant's assurance report on regularity.

## Corporations registered with the Office for Students

17. Corporations that are registered with the OfS are also subject to the OfS regulatory framework and accounts direction in addition to this Direction. Although the ESFA and the OfS have cooperated to harmonise their accounting and disclosure requirements, there remain some areas of divergence. There are some areas where disclosures are required to differing levels of detail based on each organisation's requirements and the regulatory context. These are set out at [Annex E](#). However, where disclosure requirements overlap, disclosure should be made only once for the purposes of both organisations.

## Corporations that are not registered with the Office for Students

18. Corporations that are not registered with the OfS are not obliged to follow the OfS' accounts direction and may prepare their accounts on the basis of FRS 102, the FE and HE SORP and the requirements of this Direction alone.

## Other considerations

19. Corporations must also:

- include the statements set out in [Annex A](#), [Annex B](#) and [Annex C](#)
- follow the accounting and disclosure requirements set out in [Annex D](#)
- adopt an accounting reference date of 31 July
- provide in their members' report (or equivalent) an assessment of whether the corporation is a going concern, including any supporting assumptions, qualifications and mitigating actions, as appropriate (which must be consistent with other disclosures in the accounts, for example in the notes to the financial statements, and auditor's report)

20. Assurance and audit arrangements are set out in the ESFA's [Post-16 Audit Code of Practice](#).

## Annex A: Statement of corporate governance and internal control

Good corporate governance is fundamental to any effective organisation and is the hallmark of a well-managed entity, and for corporations it demonstrates they are conducting business in the best interests of their students and funders. A good source of advice on the legal and regulatory framework applying to the corporation is the Department for Education's [governance guide](#). All corporations must comply with at least one of the following governance codes:

- [Charity Governance Code](#) (endorsed by the Charity Commission)
- [Code of Good Governance for English Colleges](#) (developed by Association of Colleges)
- [The UK Corporate Governance Code 2018](#), which was reissued by the Financial Reporting Council in July 2018 for accounting periods from 1 January 2019. Corporations that adopt this code are not expected to comply with the requirements that are not relevant to FE and sixth-form colleges. However, they should have due regard to the principles and guidance insofar as they apply to the further education and charity sectors

Corporations must adopt a governance code that best reflects their legal structure, operations and stakeholders.

Corporations must include a statement of corporate governance and internal control within their annual report and accounts, covering the beginning of the financial period to the date of the signing of the accounts for that financial period, which must include:

- declaration of compliance with their adopted governance code with explanations for any departures, or
- if not adopted, a statement to the effect of, 'whilst not having adopted the [UK Corporate Governance Code 2018](#) the corporation has due regard to its principles and guidance'
- details of those who served as governors of the corporation during the year including a record of attendance at meetings
- the number of audit committee meetings which took place in the year and attendance records for each committee member
- the governance framework, including:
  - committee structure
  - appointments to the corporation
  - the coverage of the corporation's work during the period

- how the corporation identifies, evaluates and manages risk (including an impact and likelihood evaluation of key operational, financial, compliance and other risks)
- any significant internal control weaknesses or failures that have arisen, and actions taken
- the internal control and assurance framework and how the corporation has met its:
  - statutory responsibility for ‘the effective and efficient use of resources, the solvency of the institution and the corporate body and the safeguarding of their assets’ (as required by Section 5(3)(c) of Part 2 of Schedule 4 of the [Further and Higher Education Act 1992](#))
  - contractual responsibilities under its funding agreements and contracts with ESFA
- the corporation’s performance, including an assessment of its own effectiveness

The statement of governance and internal control must include a statement from the audit committee which draws upon the work set out in its annual report and, where appropriate, the work of internal audit. This should include a statement on the effectiveness of the college’s framework of internal control. The statement of corporate governance and internal control should cover the financial period, as well as any matters up to and including the date the accounts are approved.

Corporations that are registered with the OfS and are therefore subject to the OfS’ accounts direction should consider any additional elements required in the statement of corporate governance and internal control set out in the OfS’ accounts direction. These elements are summarised at [Annex E](#).

## Annex B: Statement of regularity, propriety and compliance

Corporations are in receipt of significant public funds and as part of their stewardship role must be able to assure the ESFA, who in turn assure Parliament and the public, of high standards of probity in the management of those funds.

The chair of governors and the accounting officer must sign a statement of regularity, propriety and compliance each year on behalf of the corporation and submit this with the accounts.

Corporations that are registered with the OfS and therefore fall within the scope of the OfS' accounts direction should consider any additional elements required in this statement which arise from the OfS' accounts direction, including compliance with the OfS' ongoing conditions of registration and terms and conditions of funding. These additional elements are set out at Annex E.

The statement must be prepared in the following format:

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### **Statement of regularity, propriety and compliance**

The corporation has considered its responsibility to notify the ESFA of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the corporation's grant funding agreements and contracts with the ESFA. As part of our consideration, we have had due regard to the requirements of grant funding agreements and contracts with the ESFA.

We confirm on behalf of the corporation that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the corporation, or material non-compliance with the terms and conditions of funding, under the corporation's grant funding agreements and contracts with the ESFA, or any other public funder.

[Either:] We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the ESFA.

[Or:] We confirm that the following instances of material irregularity, impropriety or funding non-compliance have been discovered and have been notified to the ESFA. If any instances are identified after the date of this statement, these will be notified to the ESFA:

- [instances to be raised]

**[Signed]**

**[Signed]**

**[Name to be typed]**

**[Name to be typed]**

Accounting officer

Chair of governors

**[Date]**

**[Date]**

## Annex C: Statement of responsibilities of the members of the corporation

The chair of governors must sign a statement of responsibilities of the members of the corporation each year on behalf of the corporation and submit this with the accounts. The model statement below should be amended, as needed, for the specific circumstances of the corporation.

Corporations registered with the OfS must also comply with the additional requirements set out in the OfS accounts direction with effect from the date of registration. These additional elements are summarised at [Annex E](#).

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### Statement of responsibilities of the members of the corporation

The members of the corporation, as charity trustees, are required to present audited financial statements for each financial year.

Within the terms and conditions of the corporation's grant funding agreements and contracts with ESFA *[delete if necessary - and any other relevant funding bodies]*, the corporation – through its accounting officer – is required to prepare financial statements and, within the Members' Report, an operating and financial review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's College Accounts Direction and the UK's Generally Accepted Accounting Practice, and which gives a true and fair view of the state of affairs of the corporation and surplus/deficit of income over expenditure for that period. In preparing the financial statements, the corporation is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess whether the corporation is a going concern, noting the key supporting assumptions, qualifications or mitigating actions, as appropriate (which must be consistent with other disclosures in the accounts and auditor's report)
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the corporation will continue in operation



The corporation is also required to prepare a members' report that describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the corporation.

The corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the corporation and which enable it to ensure that the financial statements are prepared in accordance with relevant legislation including the [Further and Higher Education Act 1992](#) and [Charities Act 2011](#), and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities.

The corporation is responsible for the maintenance and integrity of its website(s); the work carried out by auditors does not involve consideration of these matters and, accordingly, auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the ESFA, and any other public funds, are used only in accordance with the ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time by the ESFA, or any other public funder. Members of the corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the corporation are responsible for securing economic, efficient and effective management of the corporation's resources and expenditure so that the benefits that should be derived from the application of public funds from the ESFA and other public bodies are not put at risk.

Approved by order of the members of the corporation on **[date]** and signed on its behalf by:

**[Signed]**

**[Name to be typed]**

Chair of governors

## Annex D: Specific accounting and disclosure matters

We draw corporations' attention to several specific accounting and disclosure matters that are considered to go beyond the requirements of FRS 102 and the FE & HE SORP.

Corporations receive significant investment from public funds and need to demonstrate to stakeholders that decisions made on executive pay are evidence-based, proportionate and represent value for money. As a matter of policy, the ESFA requires increased transparency around executive pay to support accountability, and to help maintain public confidence and trust in executive pay. Some of these disclosures also reflect the OfS' accounts direction.

We encourage corporations to make comprehensive disclosures and to consider what other information enhances transparency and understandability. For example, corporations could consider providing stakeholders with more meaningful information to help them understand pay structures and movements, such as remuneration paid or payable in the year, alongside full-time equivalent information.

Corporations should be aware of the AoC's [Colleges Senior Staff Remuneration Code](#) and, for corporations that fall within scope of the OfS' accounts direction, [The Higher Education Senior Staff Remuneration Code](#) issued by the Committee of University Chairs (CUC).

Corporations must either adopt one of the codes or explain why they have not done so. This means that corporations must either state that they have followed the minimum requirements of the relevant code or provide meaningful explanations for non-compliance and how their alternative arrangements meet the principles of transparency, accountability, proportionality, understandability, value for money and the extent to which remuneration for senior people is evidence based.

### **i. Legal status**

The corporation must include details of its charitable status.

### **ii. Public benefit**

The corporation must provide a statement that it has had due regard for Charity Commission's (CC's) guidance '[Charitable Purposes and Public Benefit](#)'. It must also provide a report on how the corporation has delivered its charitable purposes for the public benefit.

### **iii. Plans for future periods / reserves policy**

We encourage transparency in corporation accounts, which should, where appropriate, include plans for student recruitment, cost saving and efficiencies such as shared services and structural change.

We also encourage corporations to review their reserves policy and the level of reserves held, setting out, where appropriate, how these align with strategic plans and to CC's guidance '[Charity Reserves: Building Resilience](#)'.

#### **iv. Staff numbers and costs**

Corporations must disclose in the notes to the accounts the average staff numbers employed by the corporation in the year, categorised by role. This disclosure is in line with the Companies Act 2006 section 411. The figures must be the average headcount for each category, calculated on a monthly basis. Corporations should note that the ESFA will continue to collect staff numbers on the basis of full-time equivalents through the finance record or equivalent. Corporations may also wish to provide this information in the accounts.

The notes must also disclose the total staff costs of the corporation relating to the year, broken down between:

- wages and salaries paid or payable to staff members,
- social security costs incurred by the corporation on their behalf, and
- pension costs

#### **v. Remuneration of key management personnel and high-paid staff**

##### **(a) Key management personnel**

In addition to disclosure requirements set out in the relevant FE and HE SORP, corporations must disclose in the notes to the accounts:

- the number of key management personnel whose emoluments received in the year (gross of any salary sacrifice arrangements and excluding any employer pension costs) that fall within each band of £5,000 from a starting point of £nil
- aggregate emoluments received by key management personnel, split by type of emolument, both including and excluding pension contributions
- aggregate emoluments due to key management personnel, but waived
- justification for the total emoluments linked to value and performance delivered, alongside an explanation of the processes adopted for judging performance and total emoluments, including benchmarking or other means of comparison to the broader market

Where previous key management personnel continue to receive emoluments in an employed or consultancy role, such as in an advisory or sabbatical role, this must be disclosed, with an explanation. For the avoidance of doubt, where in exceptional circumstances, a senior leader is not directly employed by the corporation itself, their emoluments must also be disclosed.

### **(b) Accounting officer**

Corporations must separately disclose emoluments of the accounting officer (and of the highest-paid member of key management personnel in the unlikely event this is not the accounting officer), both including and excluding pension contributions. Corporations must breakdown this disclosure by emolument type (see (e) below) in their accounts. Severance payments and compensation for loss of office paid to the accounting officer and, if different, the highest-paid member of key management personnel must also be separately disclosed.

A justification for the total emoluments of the accounting officer must be disclosed, linked to value and performance delivered, alongside an explanation of the processes adopted for judging performance and total emoluments, including benchmarking or other means of comparison to the broader market.

Where there has been more than one accounting officer during the period, the emoluments and any other payments of each must be disclosed separately, together with their start and end date.

Where a previous accounting officer continues to receive emoluments in an employed or consultancy role, such as in an advisory or sabbatical role, this must be disclosed with an explanation.

### **(c) Pay multiple**

Corporations must disclose the relationship between the accounting officer's emoluments (or those of the highest-paid member of key management personnel, if this is not the accounting officer) and that of all other employees as a pay multiple, expressed as follows:

- accounting officer's basic salary divided by the median pay of all other corporation employees (all on a full-time equivalent basis); and
- accounting officer's total emoluments divided by the median pay of all other corporation employees (all on a full-time equivalent basis)

The corporation must briefly explain the basis of their methodology and any exceptions applied, such as agency workers.

### **(d) Higher-paid staff**

Corporations must disclose the number of higher-paid staff whose emoluments received in the year (excluding any employer pension costs) fall within each band of £5,000 from a starting point of £60,000. If a part-time member of staff received less than £60,000 in the year but would have received at least £60,000 on a full-time basis, this should be set out as a narrative disclosure within the note.

### **(e) Definitions for part iv**

Emolument types include:

- basic salary
- fees
- performance-related pay and other bonuses, including any deferred payment arrangements and separate disclosure of any amounts waived
- expense allowances (to the extent that they are chargeable to UK income tax)
- pension contributions
- payments in lieu of pension contributions
- any sums paid under any pension scheme in relation to employment with the corporation
- monetary value of any taxable benefits other than cash (for example, company cars, subsidised loans and accommodation)
- employee benefits provided by, or on behalf of, the corporation
- any other type of emolument and cost to the corporation of providing each type, for example, loss of benefits, ex-gratia, consultancy, agency payments, accepting office ('golden handshake'), relocation costs and dividends or 'off payroll'
- monetary value of any non-taxable benefits available only to key management personnel or higher-paid staff
- any of the above provided by any subsidiaries, joint ventures or other related entities

Emoluments do not include:

- adjustments arising from FRS 102 (section 28) otherwise included in the staff costs note
- employer's national insurance contributions (NIC)
- compensation for loss of office
- salary sacrifice arrangements

Corporations must, however, disclose separately any salary sacrifice arrangements, or if there are no such arrangements a statement to that effect.

#### **vi. Compensation for loss of office**

Corporations must disclose details of any compensation for loss of office, loss of any other office connected with corporation affairs and/or connected with the affairs of a parent or subsidiary undertaking of the corporation; where paid or payable to the

accounting officer, key management personnel (both past and present) and staff earning at least £60,000 per year. Corporations must disclose:

- the aggregate value of any compensation for loss of office paid or payable to these staff (excluding payments in lieu of notice)
- the number of people to whom this was paid or payable
- the nature of any benefits other than cash

Compensation for loss of office includes:

- the estimated money value of benefits other than cash
- compensation in consideration for, or in connection with, retirement
- any top-up or enhancement to the pension scheme

#### **vii. Severance payments**

Corporations must disclose:

- all severance costs, split between contractual and non-contractual payments
- whether costs were approved by the corporation or a committee established by the corporation for this purpose

Corporations registered with the OfS should have regard to any additional disclosures relating to compensation for loss of office required by the OfS beyond those for the accounting officer, key management personnel and staff earning at least £60,000 per year.

#### **viii. Transactions with governors/trustees**

In certain cases, it may be justifiable to compensate governors/trustees for the costs of childcare, loss of earnings and reimbursement of travel expenses or similar costs incurred in connection with their duties as a governor/trustee. Before making such a payment, the corporation must:

- be satisfied that there is no remunerative element, or
- gain express permission from CC if a remunerative element exists, and
- have due regard to CC's guidance '[trustee expenses and payments](#)'

Corporations must disclose details of any such payments made (including the total of such payment and number of governors/trustees who received the payments), or if none a statement to that effect.

#### **ix. Accounting for government grants**

In addition to disclosure requirements set out in the relevant SORP, corporations must disclose in the notes to the accounts:

- deferred income relating to government grants as separate items, distinct from other accruals and deferred income, split between under and over one year
- the income recognised in any period related to government grants from the ESFA and other government bodies respectively as separate items in an analysis of income from funding body grants

In each case, corporations must distinguish deferred income relating to government grants between amounts attributable to capital and revenue grants. Corporations, registered with the OfS, should also have regard to the additional disclosures relating to grant and fee income set out in the OfS accounts direction.

**x. [Trade Union \(Facility Time Publication Requirements\) Regulations 2017](#)**

It is the responsibility of each corporation to comply with the requirements of this legislation as appropriate, and to disclose relevant information within their audited financial statements.

**xi. [The Companies \(Directors' Report\) and Limited Liability Partnerships \(Energy and Carbon Report\) Regulations 2018](#)**

[The Companies \(Directors' Report\) and Limited Liability Partnerships \(Energy and Carbon Report\) Regulations 2018](#) ('the 2018 regulations') implement the government's policy on streamlined energy and carbon reporting and came into force with effect from 1 April 2019 for accounting periods starting on or after that date. The 2018 regulations apply to certain UK companies, but as a matter of public policy corporations are encouraged to make an equivalent disclosure in respect of the reporting period 1 August 2020 to 31 July 2021 on their websites. The ESFA has published [guidance on streamlined energy and carbon reporting for colleges](#), which includes a sector-relevant model disclosure note.

**xii. [Disclosures arising from the financial impact of the COVID-19 pandemic](#)**

ESFA published a [Supplementary Bulletin](#) to the College Accounts Direction and the Post-16 Audit Code of Practice in July 2020 which has the same status as those documents. The bulletin aims to provide guidance to principals/accounting officers, governors as charity trustees and their external auditors / reporting accountants on matters arising from the COVID-19 pandemic which may impact on the corporation's accounts, including how the impact of the pandemic might be set out in the members' report. It includes some additional requirements for corporations in respect of COVID-19 funding and how related financial support must be disclosed. It is a requirement of this

College Accounts Direction that corporations comply with these additional terms in the Supplementary Bulletin. The ESFA intends to publish a Supplementary Bulletin covering the year 2020 to 2021.

### **xiii. Corporations' financial review**

The FE and HE SORP requires a fair and balanced strategic report on the corporation's development, performance and position to be disclosed. This report may be entitled a strategic report, a financial report, a members' report etc. However, irrespective of its title, this report should be produced in accordance with the principles set out in paragraph 3.24 of the FE and HE SORP; namely that it should be user-focussed, consistent with and complementary to the financial statements, comprehensive, understandable and balanced.

As best practice, the financial review within this report should:

- explain the financial effect of significant events on the financial performance and financial position of the corporation
- explain the overall financial position of the corporation at the reporting date with a narrative which provides context to, and insight on, the numbers in the financial statements, focussing on material or significant balances
- identify any subsidiary undertaking or joint venture that is materially in deficit, explaining the circumstances giving rise to the deficit and the steps being taken to address it
- explain the financial performance of the corporation in the year, including an explanation of the causes of the corporation's net income/(expenditure) balance for the year
- describe the principle funding sources of the corporation
- be written in terms which a non-accountant would understand

### **xiv. Disclosures in relation payments to fund a deficit in the Local Government Pension Scheme**

College corporations must note the requirements of FRS102 in relation to disclosures about defined benefit pension plans, such as the Local Government Pension Scheme. In particular, that paragraph 28.41(a) requires a general description of the type of plan, which must include the corporation's funding policy. We draw attention to the obligation for college corporations to disclose the amount and timing of future payments to be made by the entity under any agreement with the defined benefit plan to fund a deficit.



## Annex E: Additional reporting and disclosure requirements arising from the accounts direction issued by the Office for Students

Colleges registered with the Office for Students fall within the scope of the OfS accounts direction and so will be obliged to make some reports or disclosures that go beyond those required by the ESFA, as summarised below (the OfS accounts direction should be referred to for further detail):

Requirement	Reference	Detail	Comment
Senior staff pay	Paras 11 to 14	<p>The provider is required to “have regard to” the “Higher Education Senior Staff Remuneration Code” published by the Committee of University Chairs.</p> <p>The provider must disclose the number of staff with a full-time equivalent basic salary of over £100k, broken down into bands of £5k.</p>	<p>The ESFA requires colleges to disclose whether they have adopted the AoC’s Governor’s Council’s “The Colleges Senior Staff Remuneration Code”, so the ESFA requirement goes beyond what the OfS requires in terms of disclosure. However, compliance with either code is not mandatory, so the minimal requirements of both the OfS and the ESFA will be met if colleges have regard to both codes and then disclose whether they have adopted either.</p> <p>The ESFA requires disclosure of the number of staff with total emoluments over £60k, broken down into bands of £5k. The ESFA therefore sets the threshold at a lower level and so compliance with the ESFA requirements will satisfy OfS requirements. Where the banding for total emoluments differs from that of basic salary, corporations could include a narrative disclosure or an additional column to the disclosure table, so that the requirements of both accounts directions are met.</p>

Management and governance arrangements	Paras. 19 to 29	The OfS requires disclosures about management and governance arrangements. There may be separate statements on corporate governance and internal control respectively, though these may be combined.	The ESFA requires a combined statement on corporate governance and internal control, but the OfS does mandate a considerable additional amount of detail, particularly regarding the setting out of any significant internal control weaknesses or failures that have arisen during the financial year or after the year end, but before the financial statements are signed. Providers complying with the OfS requirements will meet the ESFA requirements.
Details of fee and grant income	Paras 32 to 34	All registered providers must include a note to their audited financial statements that provides detail on sources of grant and fee income in a specific tabulated form. This would include both OfS and ESFA funding but also research grants and student fees, as well as other sources.	The ESFA requires the disclosure of government grants and other grants, but the requirement does not go beyond what would be required under the SORP. The OfS' detailed requirements reflect the diversity of funding which HEIs often receive from multiple sources. Providers complying with the OfS requirements will meet the ESFA requirements.
Access and participation expenditure	Paras 35 to 40	Where a provider has an access and participation plan that has been approved by the OfS' director of fair access and participation, the provider must include a note in its audited financial statements that sets out its expenditure for each of a number of categories.	The inclusion of this disclosure would only apply if the provider has signed up such a plan with the OfS, and if this is an approved plan.



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