



Education & Skills
Funding Agency

College accounts direction 2023 to 2024

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

March 2024

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Summary

The College Accounts Direction 2023 to 2024 (CAD) sets out the 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 2024.

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

Colleges and designated institutions

We use the term "college" to refer to further education and sixth-form college corporations, established under the provisions of the [Further and Higher Education Act 1992](#). This means the college or college group when the college corporation is responsible for a group of colleges or other entities, including subsidiaries, within the group accounting boundary of the parent corporation. This CAD applies 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.¹

Status

We plan to update this document annually. This edition applies to all financial reporting periods commencing on or after 1 August 2023. It will remain in force until such time as it is replaced.

Who is this publication for?

This accounts direction is primarily for use by:

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

¹ The provisions of this accounts direction also apply to any entity funded by ESFA which conducts or controls a designated institution unless that designated institution itself is required to submit accounts to ESFA.

This document does not apply to specialist post-16 institutions, non-maintained special schools or independent training providers. Academy trusts with post-16 provision² should refer to the [academies accounts direction](#). Higher education institutions that are part-funded by 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 (IoTs). However, there may be circumstances where an IoT is consolidated within the accounts of the college corporation in accordance with Financial Reporting Standard 102 (FRS 102) Section 9 and the [Statement of Recommended Practice: Accounting for Further and Higher Education 2019 edition](#) (FE and HE SORP).

Reclassification

On the 29 November 2022, the Office for National Statistics (ONS) announced that further education colleges, sixth-form colleges and designated institutions in England ('colleges') were reclassified to the central government sector. This means that colleges and their subsidiary companies must comply with HM Treasury's, '[Managing Public Money](#)' (MPM), and other related obligations. The College Accounts Direction for 2022-23 was updated to reflect these new requirements.

A new College Financial Handbook (the "handbook") was published in Spring 2024 on Gov.UK to provide further certainty and support to the sector in navigating this changed landscape. The provisions of the handbook are effective from 1 August 2024.

What has changed in the 2024 edition?

Changes in the 2024 edition include:

- References to the COVID supplementary bulletin and pandemic-related disclosures have been removed from the CAD as Covid-19 grants have either stopped or become part of business-as-usual activity.
- 'Accountability agreement' has now been referenced in this document where ESFA funding agreements and contracts are mentioned (if appropriate).
- From January 2024, DfE Sign-in will be used to access the college financial data service and college staff will no longer be able to use IDAMS. The relevant text in the CAD has been updated accordingly ([Part 1, Paragraph 2](#)).

² This could include sixth form-colleges which were previously sixth-form college corporations but now form part of a multi-academy trust.

- Guidance has been added to the CAD regarding the Charity Commission for England and Wales' submission requirements for registered charities ([Part 1, Paragraph 11](#)).
- A couple of clarification points have been added to the section on annual self-assessment of governance and external governance reviews: that external governance reviews are required at least every three years with effect from 2021-22, and that corporations should confirm that the review summary has been agreed with the reviewer ([Annex A](#)).
- Where the accounting officer of the college corporation is employed by another organisation, such as a HEI in their capacity as the parent entity, then the college must disclose in their financial statements and in the Finance Record the emoluments that person received as the college accounting officer and provide an explanatory note ([Annex D, V, b](#)).
- Clarification that, for disclosure purposes, emoluments is before salary sacrifice deductions ([Annex D, V, e](#)).
- In terms of related party transactions, the CAD now states that where the college is part of a group, all intra-group transactions and balances must be reported, not just those with wholly owned subsidiaries or the parent entity where they exist ([Annex D, Xii](#)).
- Additional guidance has been added to the CAD in relation to concessionary loans ([Annex D, XiV](#)).
- Details of the next LGPS valuation have been added to the section on '*Disclosures in relation to payments to fund a deficit in the Local Government Pension Scheme*' ([Annex D, XViii](#)).
- A new section has been added to the CAD covering "*Recognition of LGPS fund surplus as an asset*" ([Annex D, XiX](#)).
- Guidance has been added to the CAD covering the valuation of the Teachers' Pension Scheme (TPS) ([Annex D, XX](#)).
- Colleges must disclose in the current creditors note of their financial statements the holiday pay accrual figures for the current and prior year ([Annex D, XXi](#)).

Clarification of terms

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

- must – means a requirement
- should – identifies minimum good practice for which there is no requirement, but which corporations should apply unless there is an alternative which 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). The AoC also produces a set of model accounts that show how a further education or sixth-form college corporation could apply the requirements of the CAD and of the underpinning financial reporting framework. Corporations and their auditors can also ask ESFA questions via an on-line [Customer Help Portal](#).

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 [ESFA](#).

Part 1: Submission requirements

Submission of documents

1. Corporations must submit the following documents to ESFA by 31 December 2024:
 - 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 assurance 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
 - a signed copy of the audited accounts of all non-dormant subsidiary companies (if any)
 - the college's Finance Record³
2. The above documents must be submitted to ESFA via the [College Financial Data \(CFD\) service](#). This will require a [DfE sign-in](#) account to login. Colleges will receive an email confirmation that their upload has been successful. There is no requirement to submit:
 - hard copies of documents to ESFA
 - documents to the OfS – 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 ESFA at the earliest opportunity if the deadline of 31 December may be missed.

Where corporations experience financial difficulties or bank covenant breaches that impact on whether their financial statements can be prepared on a going concern basis and thus, the external auditor's ability to conclude their work based in this area, the corporation should notify ESFA as soon as possible. This is irrespective of whether there is a risk that the submission deadline may be missed.

4. The board should ensure there is adequate coverage in the event of the departure or absence of key signatories, including the accounting officer. The board should decide

³ ESFA makes the Finance Record excel workbook template available annually.

what interim arrangements are required. However, at all times, the corporation is required to have an accounting officer.

Extended and short period accounts

5. Corporations may only produce extended period final accounts if:
 - this does not contravene their articles of government
 - ESFA’s prior approval has been obtained.
6. Corporations producing either extended period final accounts beyond 31 July 2024 or short period final accounts ending prior to 31 July 2024 must meet the requirements and timescales set out by ESFA.
7. In respect of business combinations, the chair and accounting officer of the receiving corporation are responsible for signing, and submitting to ESFA, the audited accounts of a dissolving corporation by 31 December 2024.

Approval of documents

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

Component	Signatory
Strategic 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 (Annex A)	Accounting officer and chair of governors
Statement of regularity, propriety and compliance (Annex B)	
Statement of responsibilities of the members of the corporation (Annex C)	Chair of governors

9. Components should be signed on the same date, which should be on or very shortly before the date the auditor signs their independent auditors’ report to the corporation and regularity report. The date of approval must be stated.

Publishing accounts

10. Stakeholders have a right to expect information on the financial performance and results of a college to be readily accessible. Accordingly, colleges must publish their audited accounts in an easily accessible location on their website: for example, by having a tab on the Homepage that says 'About Us' and then a subheading that says 'Public Information and Policies'. 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 2025. Corporations must retain at least two years of accounts on their website.⁴ As charities, corporations must also provide their accounts to anyone requesting a copy.
11. While most colleges are exempt charities, there are a small number that are registered charities. Registered charities must comply with the accounts submission requirements of the Charity Commission for England and Wales and submit their accounts within ten months of their financial year-end. In addition, colleges that are registered with the OfS should be mindful of the OfS' publication requirement that providers publish their audited accounts on their website by, at the latest, five months after the end of the financial year to which they relate.

⁴ The accounts of any college which has subsequently been merged should be retained on the website of the extant college for the same period.

Part 2: Submissions to ESFA

The Finance Record

12. Corporations must submit a Finance Record to ESFA by 31 December 2024, which incorporates a financial outturn statement for the period / year to 31 July 2024. Details of subsequent financial returns required by corporations will be published in the [College Financial Planning Handbook](#).

Benchmarking

13. ESFA will use the data for 2023 to 2024 from the Finance Record to support the financial [benchmarking tool for colleges](#). This tool allows corporations to compare their financial performance with others in the sector. It is important that corporations ensure all tabs in the Finance Record are completed accurately.

Part 3: Basis for preparing accounts

Financial accounting framework

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

- [FRS 102 \(Financial Reporting Standard 102\)](#)
- [Statement of Recommended Practice: Accounting for Further and Higher Education \(FE and HE SORP\)](#)
- The current version of the College Accounts Direction⁵.

Financial Statements

15. Corporations' statements, as required by the FE and HE SORP, must include:

- 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, and
- notes to the financial statements.

Related reports and statements

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

⁵ A small number of colleges which are registered charities refer to [The Charities Statement of Recommended Practice](#) (SORP) when preparing their accounts.

- a strategic report (which may alternatively be entitled 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 members of the corporation, and
- an independent auditor's report to the corporation.

17. 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

18. Corporations that are registered with the OfS are subject to the OfS regulatory framework and accounts direction in addition to this CAD. Although 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. A summary of these areas of divergence is set out at [Annex E](#), though this is only a summary and corporations registered with OfS should always refer to the OfS accounts direction as the definitive source of OfS' requirements. 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

19. 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 CAD alone.

Other considerations

20. 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 July⁶, and

⁶ Except where ESFA has agreed a variation and the articles of government do not prohibit this.

- provide in their strategic report 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).

21. Assurance and audit arrangements are set out in 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 in accordance with their funding requirements. 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](#). Corporations that adopt this code are not expected to comply with those requirements that are not relevant to further education and sixth-form college corporations. 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 and operations.

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
 - the process for making appointments to the corporation
 - 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 Schedule 4 of the [Further and Higher Education Act 1992](#))
 - contractual responsibilities under its accountability agreement, funding agreements and contracts with ESFA and DfE
- details of the corporation’s performance, including an assessment of its own effectiveness
- 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.
- details of any activities undertaken during the year to develop governors and clerks/heads of governance
- confirmation that the corporation has conducted an annual self-assessment of governance and, if applicable, that an external governance review (required at least once every 3 years with effect from 2021-22) has taken place. The name of the external reviewer and when the review was conducted must also be disclosed. Corporations should provide a summary of the review findings, confirmation that the summary has been agreed with the reviewer, and the associated action plan in either the statement of corporate governance and internal control or on the college website.

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. Since colleges were classified to the central government sector with effect from 29 November 2022, the statement should also specifically address whether policies, procedures and approval processes were updated to ensure compliance with the new requirements following reclassification. In particular, the statement must state whether the college has established systems and processes to identify and handle any transactions for which DfE or HM Treasury approval is now required.

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 funding and must be able to assure ESFA and DfE, who in turn assures Parliament and the public, of high standards of propriety in the management of those funds. This assurance is provided primarily through the accounting officer, who bears a personal responsibility for these issues, which exist independently of any they hold as part of the board or executive management. The accounting officer must sign a statement of regularity, propriety and compliance each year and submit this with the accounts. The contents of the statement must be discussed with the corporation and the chair of governors must also sign the statement to attest to this fact.

The statement must specifically address compliance with the expanded framework of authorities, the newest elements of which are outlined in the “Dear accounting officer” letter of 29 November 2022 and ESFA’s bite size guides.

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.

The statement must be prepared in the following format:

Statement of regularity, propriety and compliance

As accounting officer I confirm that the corporation has had due regard to the framework of authorities governing regularity, propriety and compliance, and the requirements of the college’s accountability agreement, funding agreements and contracts with ESFA and DfE, and has considered its responsibility to notify ESFA of material irregularity, impropriety and non-compliance with those authorities and terms and conditions of funding.

I confirm on behalf of the corporation that after due enquiry, and to the best of my knowledge, I am able to identify any material irregular or improper use of funds by the corporation, or material non-compliance with the framework of authorities and the terms and conditions of funding under the college’s accountability agreement, funding agreements and contracts with ESFA and DfE, or any other public funder. This includes the elements outlined in the “Dear accounting officer” letter of 29 November 2022 and ESFA’s bite size guides.

[Either:] I confirm that no instances of material irregularity, impropriety, funding non-compliance, or non-compliance with the framework of authorities have been discovered

to date. If any instances are identified after the date of this statement, these will be notified to ESFA.

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

- [instances to be raised]

[Signed]

[Name to be typed]

Accounting officer

[Date]

Statement of the chair of governors

On behalf of the corporation, I confirm that the accounting officer has discussed their statement of regularity, propriety and compliance with the board and that I am content that it is materially accurate.

[Signed]

[Name to be typed]

Chair of governors

[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. Additional detail may be added to the model statement, as needed, for the specific circumstances of the corporation.

Corporations registered with the OfS must also comply with any additional requirements set out in the OfS accounts direction with effect from the date of registration.

Statement of responsibilities of the members of the corporation

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

Within the terms and conditions of the college's accountability agreement, funding agreements and contracts with ESFA and DfE ***[delete if necessary – and any other relevant funding bodies]***, the corporation is required to prepare financial statements which give a true and fair view of the financial performance and position of the corporation for the relevant period. Corporations must also prepare a strategic report which includes an operating and financial review for the year. The bases for the preparation of the financial statements and strategic report are the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's College Accounts Direction and the UK's Generally Accepted Accounting Practice. 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), and
- 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 strategic report, in accordance with paragraphs 3.23 to 3.27 of the FE and HE SORP, 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 and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from ESFA, DfE, and any other public funds, are used only in accordance with the accountability agreement, funding agreements and contracts and any other conditions, that may be prescribed from time to time by ESFA, or any other public funder, including that any transactions entered into by the corporation are within the delegated authorities set out in the “Dear accounting officer” letter of 29 November 2022 and ESFA’s bite size guides. 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 ESFA, DfE 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.

Remuneration disclosures

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, 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.

Corporations should make comprehensive disclosures and 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.

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 the 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 require transparency in corporation accounts, which should, where appropriate, include plans for student recruitment, cost savings 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 the 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 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 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 higher-paid staff

(a) Key management personnel

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

- aggregate emoluments received by key management personnel, split by type of emolument, both including and excluding pension contributions, and
- 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 break down 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.

Where the accounting officer of the college corporation is employed by or directly remunerated by another organisation, such as a higher education institution, then the college must still disclose in its financial statements and in the Finance Record the emoluments that person received as the college accounting officer and provide an explanatory note.

(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 and v

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, dividends, 'off payroll' payments or payments in lieu of notice
- monetary value of any non-taxable benefits available only to key management personnel or higher-paid staff, and
- 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, and
- any sums deducted by way of salary sacrifice (i.e. the gross remuneration before the impact of any sacrifice must be reported).

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

vi. Payments 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, and
- 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, and
- any top-up or enhancement to the pension scheme.

A note is not required if no such transactions arose.

If any such payments include any non-statutory/non-contractual elements, these must be disclosed as part of the disclosure set out in note vii below.

vii. Severance payments for all staff

“Severance payments” include contractual payments, statutory payments and special staff severance payments. Special staff severance payments are amounts paid to employees outside of statutory and contractual requirements.

Colleges/college groups must disclose all severance payments made by the college/college group during the period of the financial statements, in the bands below.

The college/college group paid **5** severance payments in the year, disclosed in the following bands:

£0 - £25,000	5
£25,001 - £50,000	0
£50,001 - £100,000	0
£100,001 - £150,000	0
£150,000 +	0

Colleges/college groups must also disclose the individual value of all special staff severance payments (which are amounts paid to employees outside of statutory and contractual requirements) made by the college/college group during the period of the financial statements. This is regardless of value (and even when these payments form (part of) the payments included in the note above).

The names of the recipients do not need to be disclosed. A model disclosure is included below, noting that the amounts are not rounded. A note is not required if no transactions arose.

Included in staff restructuring costs are special severance payments totalling £15,000 (2023: £nil). Individually, the payments were: £1,000, £4,000, £4,000 and £6,000.

ESFA's bite size guide on '[Special payments, including severance, compensation and ex-gratia payments](#)' states when ESFA approval is required to make special severance payments.

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. Write offs and losses

The college/college group must disclose the total value of any debts written off or other losses incurred. There must also be individual disclosure of any such transactions where the value was £5,000 or more and the rationale provided. For the avoidance of doubt, all such transactions must be disclosed not just those where consent was obtained from DfE.

ix. Guarantees, letters of comfort and indemnities

The college/college group must disclose the total value of any guarantees, letters of comfort, and indemnities not entered into in the normal course of business, it has provided during the year (including any issued to a wholly owned subsidiary). There must also be individual disclosure of any instances above £5,000 and the rationale provided. For the avoidance of doubt, all such transactions must be disclosed, not just those where consent was obtained from DfE.

x. Compensation payments and ex-gratia payments

The college/college group must disclose the total value of all compensation payments during the period. There must also be individual disclosure of items over £5,000 and the rationale provided. For the avoidance of doubt, all such transactions must be disclosed not just those where consent was obtained from DfE. An entry is not required if no transactions arose.

In the case of ex-gratia payments all payments must be disclosed, regardless of value, including an explanation of the nature of the payment and the legal authority, although payments may be aggregated where they are of a similar nature and where this does not impact on the understanding of the arrangement. An entry is not required if no transactions arose.

Whilst not generally expected to arise, the following terms used in the disclosure have the meaning given in annex 4.13 of HM Treasury's ['Managing Public Money'](#):

- Compensation means 'payments to provide redress for personal injuries, traffic accidents, damage to property etc.' that go beyond statutory or contractual entitlement, and
- Ex-gratia means other 'payments' that go beyond statutory cover, legal liability or administrative rules.

Note that 'compensation payments' does not mean staff severance payments, which must be disclosed in accordance with note vii.

xi. Transactions with governors/trustees

All transactions with governors must be disclosed. This includes routine reimbursement of travel expenses or similar costs incurred in connection with their duties as a governor, such as the costs of childcare incurred to attend corporation meetings. However, compensation for loss of earnings requires additional authority and before making such a payment, the corporation must:

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

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

xii. Related party transactions

Corporations must follow the requirements of FRS102 and the FE HE SORP for disclosure of their transactions and balances with related parties. However, where there have been no related party transactions at all corporations must make a statement to this effect.

Paragraph 25.5 of the SORP, which derives from the FRS 102 paragraph 33.1A exemption for the reporting of related party transactions and balances between two or more members of the same group in the case of wholly owned subsidiaries, is set aside. Where the college is part of a group, all intra-group transactions and balances must be reported, including those with:

- any wholly owned subsidiaries the college might have,
- any fellow subsidiaries in a group structure in which the college is itself a subsidiary, and
- any parent entity the college might have, such as a higher education institution.

xiii. 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, and
- the income recognised in any period related to government grants from ESFA, DfE 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.

xiv. Concessionary loans

Following reclassification a number of colleges are refinancing their commercial debt with loans from ESFA, colleges may need to consider whether the new loan they have received should be accounted for as a concessionary loan as defined in paragraphs 26.39 and 26.40 of the SORP⁷. Should this be the case then colleges will need to refer to the Public Benefit Entity section of FRS 102 (PBE 34.87 to PBE 34.97) for guidance on the appropriate accounting treatment.

FRS 102 gives PBEs a choice as to whether such loans should be accounted for using (a) fair value or (b) initial measurement of the amount received followed by the carrying amount (i.e. adjusted for any accrued interest payable).

xv. [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.

xvi. 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 2023 to 31 July 2024 on their websites. ESFA has published [guidance on streamlined energy and carbon reporting for colleges](#), which includes a sector-relevant model disclosure note.

⁷ The same may be true of loans received from other public bodies depending upon the terms and conditions.

xvii. 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 should be produced in accordance with the principles set out in paragraph 3.23 to 3.26 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 regulator for the college sector, and in accordance with paragraph 3.23 of the FE and HE SORP, ESFA requires that the financial review within this report must:

- 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 principal funding sources of the corporation,
- be written in terms which a non-accountant would understand.

xviii. Disclosures in relation to payments to fund a deficit in the Local Government Pension Scheme (LGPS)

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.

The next scheme valuation for LGPS will be 31 March 2025, with the new employer contribution rates applicable from 1 April 2026.

xix. Recognition of LGPS fund surplus as an asset

While it has been the norm for some years for colleges to report a deficit in the value of their LGPS fund, more recently market conditions have resulted in some colleges being

informed by the relevant scheme that their fund has moved into a surplus position. Colleges in this position should consider the provisions of paragraph 28.22 of [FRS 102](#) and note the constrained circumstances that allow for the recognition of any such surplus as an asset: whether it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan. Having considered the circumstances and come to its conclusion, the college should consider:

- disclosing in accounting policy note 1, as part of their critical areas of judgement, the basis for its conclusion regarding recognition, and
- including in the LGPS section of the pension funds note an explanation of the extent to which any net LGPS surplus has/has not been recognised in the financial statements as a pension asset, including where the net asset value has been restricted.

xx. Valuation of the Teachers' Pension Scheme (TPS)

The Government Actuary conducts a formal actuarial review of the TPS every 4 years. The aim of the review is to ensure scheme costs are recognised and managed appropriately and the review specifies the level of future contributions.

The latest actuarial valuation of the TPS was carried out as at 31 March 2020 and published on 27 October 2023. As a result, employer contribution rates will rise to 28.68% of pensionable pay. This is an increase of 5% in employer contribution rates.

The result of this valuation is due to be implemented from 1 April 2024. Consequently, the planned rise in contributions may impact staff costs for the college financial year 2023 to 2024 and thereafter.

xxi. Disclosures in relation to the movement in holiday pay accrual

As stated in the [College Financial Planning Handbook](#), ESFA assesses college financial performance using sector-specific EBITDA as a percentage of adjusted income. Sector-specific earnings before interest, taxes, depreciation and amortisation (EBIDTA) excludes, amongst other items, the movement in the holiday pay accrual.

Colleges must disclose in the current creditors note of their financial statements the holiday pay accrual figures for the current and prior year. There is no requirement to have a separate disclosure note showing the workings behind the movement in the holiday pay accrual itself stated in the Finance Record.

Annex E: A summary of 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 ESFA, as summarised below. Corporations registered with the OfS must always refer to the OfS accounts direction itself for definitive detail of OfS' requirements:

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>ESFA requires colleges to disclose whether they have adopted the AoC Governors' Council's "The Colleges Senior Staff Remuneration Code", so ESFA requirements go 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 ESFA will be met if colleges have regard to both codes and then disclose whether they have adopted either.</p> <p>ESFA requires disclosure of the number of staff with total emoluments over £60k, broken down into bands of £5k. ESFA therefore sets the threshold at a lower level and so compliance with 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>

Requirement	Reference	Detail	Comment
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.	ESFA requires a combined Statement on corporate governance and internal control, but the OfS does mandate a considerable amount of additional detail. An important example is 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 were signed. Providers complying with the OfS' requirements will meet 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.	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 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 against a number of categories.	The inclusion of this disclosure is only necessary if the provider has signed up to such a plan with the OfS, and the plan has been approved by OfS.



Education & Skills
Funding Agency

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