



Department  
for Education

# **College accounts direction 2025 to 2026**

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

**March 2026**

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## Summary

The College Accounts Direction 2025 to 2026 (CAD) sets out the Department for Education's (DfE's) financial reporting requirements for further education and sixth-form college corporations for their financial year ending 31 July 2026.

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 colleges as [exempt charities](#). Compliance with this accounts direction is a requirement of colleges' accountability agreements with DfE.

## 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 college. 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.<sup>1</sup>

## Status

We plan to update this document annually. This edition applies to all financial reporting periods commencing on or after 1 August 2025. 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

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

This document does not apply to specialist post-16 institutions, non-maintained special schools or independent training providers. Academy trusts with post-16 provision<sup>2</sup> should refer to the [academies accounts direction](#). Higher education institutions that are part-funded by DfE 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 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).

## What has changed in the 2026 edition?

Changes in the 2026 edition include:

- We have removed reference to the Education and Skills Funding Agency
- We have simplified language by replacing references to “corporation” with “college” except when the former term is needed in the context of the governing body or legal entity
- We have restructured and simplified the requirements in respect of staff costs and senior remuneration in Annex D, and have clarified that:
  - payments in lieu of notice must be included as part of restructuring costs,
  - payments to former senior staff, now employed on a consultancy basis, must be disclosed,
  - payments to senior staff employed for only part of the accounting period must be pro-rated up for the purposes of the disclosure relating to staff paid over £60,000,
  - disclosure of remuneration for senior staff must include remuneration accrued in the current accounting period. The accrual must also be disclosed separately, together with the cumulative amount accrued,
  - disclosure of payments to senior staff in the current accounting period must include the value of any sums accrued in prior periods,

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

- disclosure of pay multiples between the highest paid employee and other members of staff is no longer required.
- We have removed the former section xv of Annex D, where we had previously set out the requirement to disclose details of trade union facility time, following the repeal of The Trade Union (Facility Time Publication Requirements) 2017 for accounting periods ending after 18 February 2026
- We have removed the previous section xx of Annex D where we had previously set out information concerning the periodic revaluation of the Teachers' Pension Scheme, which was for information only
- We have removed the former Annex E which set out a number of instances where there was a difference between the disclosure requirements of DfE and the Office for Students (OfS) respectively
- We have included a new Annex E to provide advice to colleges concerning the implementation of the updated [Statement of Recommended Practice \(SORP\) for Further and Higher Education](#) with effect for accounting periods commencing 1 August 2026. The College Accounts Direction for 2026-27 will comply with the new SORP and provide further guidance.

## 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 colleges 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 could apply the requirements of the CAD and of the underpinning financial reporting framework. Colleges and their auditors can also ask questions via the 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 [DfE](#).

# Part 1: Submission requirements

## Submission of documents

1. Colleges must submit the following documents to DfE by 31 December 2026:
  - a signed copy of the audited annual report and financial statements (the accounts) including the statement of regularity, propriety and compliance and the reporting accountant's assurance report on regularity
  - external auditor's audit findings report (management letter), including the college's responses to the findings raised
  - annual report of the college's audit committee
  - a signed copy of the audited accounts of all non-dormant subsidiary companies (if any)
  - the college's Finance Record, which incorporates a financial outturn statement for the period / year to 31 July 2026<sup>3</sup>
2. The above documents must be submitted to DfE 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 DfE
  - documents to the OfS – DfE will share information with the OfS to facilitate their conditions of registration compliance monitoring.
3. DfE take late submission of financial information very seriously and colleges that miss key deadlines risk DfE [intervention](#). It is important colleges inform DfE at the earliest opportunity if the deadline of 31 December may be missed.
4. Where colleges 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 college should notify DfE as soon as possible. This is irrespective of whether there is a risk that the submission deadline may be missed.
5. 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

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<sup>3</sup> DfE makes the Finance Record excel workbook template available annually.

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

## Extended and short period accounts

- 6 Colleges may only produce extended or short period final accounts if:
- this does not contravene their articles of government
  - DfE’s prior approval has been obtained.
- 7 Colleges producing either extended period final accounts beyond 31 July 2026 or short period final accounts ending prior to 31 July 2026 must meet the requirements and timescales set out by DfE.
- 8 In respect of business combinations, the chair and accounting officer of the receiving college are responsible for signing, and submitting to DfE, the audited accounts of a dissolving college by 31 December 2026.

## Approval of documents

- 9 Financial statements must be approved by the college 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 ( <a href="#">Annex A</a> )	Accounting officer and chair of governors
Statement of regularity, propriety and compliance ( <a href="#">Annex B</a> )	Accounting officer
Statement of responsibilities of the members of the corporation ( <a href="#">Annex C</a> )	Chair of governors

- 10 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

- 11 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 2027. Colleges must retain at least two years of accounts on their website.<sup>4</sup> As charities, colleges must also provide their accounts to anyone requesting a copy.
- 12 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.

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<sup>4</sup> 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: Basis for preparing accounts

### Financial accounting framework

- 13 In preparing their accounts, colleges 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 Direction<sup>5</sup>.

### Financial Statements

- 14 Colleges' 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 college, and a statement of comprehensive income of the consolidated group, if such a group exists
  - a statement of changes in reserves of the college 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 college, 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 college, and a statement of cash flows of the consolidated group, if such a group exists, and
  - notes to the financial statements.
- 15 Colleges must appoint external auditors that comply with Part 42 of the Companies Act 2006, namely to be a firm or individual holding membership of a relevant supervisory body and allowed to carry out audits under the rules of that body.

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

## Related reports and statements

- 16 As required by the FE and HE SORP, colleges must publish the following reports with the financial statements:
- 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 college
  - an independent auditor's report to the college, and
  - a reporting accountant's assurance report on regularity.

## Colleges registered with the Office for Students

- 17 Colleges that are registered with the OfS are subject to the OfS regulatory framework and [accounts direction](#) in addition to this CAD. Although DfE 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. college However, where disclosure requirements overlap, disclosure should be made only once for the purposes of both organisations.

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

- 18 Colleges 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

- 19 Colleges 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<sup>6</sup>, and
- provide in their strategic report an assessment of whether the college 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 DfE's:

[Framework and guide for external auditors and reporting accountants of colleges.](#)

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<sup>6</sup> Except where DfE has agreed a variation and the articles of government do not prohibit this.

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

Colleges 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:

- a statement disclosing which of DfE’s prescribed governance codes the college has adopted
- 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 2024](#), the college 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 DfE
- details of the college’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) has taken place. The name of the external reviewer and when the review was conducted must also be disclosed. Colleges 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.

Colleges 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

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

Colleges are in receipt of significant public funding and must be able to assure 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.

To form their conclusion, the college accounting officer must ensure appropriate regularity, propriety and compliance arrangements exist throughout the college group, including in any subsidiaries. Work should be performed throughout the year as part of the accounting officer's oversight of internal control processes, which may include:

- review of management reporting documents
- review of corporation minutes and reports
- confirming compliance with delegated authorities
- confirming appropriate DfE approvals have been obtained
- exercising effective control to ensure that funds and assets are protected, and legal obligations are met.

The following tests may be useful for the accounting officer to consider when determining whether a transaction is regular and proper:

- is the expenditure necessary?
- is the expenditure reasonable – does it meet identified and agreed needs?
- is the expenditure in the best interests of the college?
- does the expenditure comply with approved procurement rules and policies?
- is there a valid benefit to the college from the expenditure and not just personal benefit to an employee or trustee?
- if a transaction could provide a personal benefit to an employee or board member, has this been independently and appropriately authorised?
- has the expenditure been properly authorised?
- does the expenditure accord with the delegated authorities set out in the [College Financial Handbook](#)?

The accounting officer can also draw comfort from the work of the audit committee and internal auditor (if applicable), which provides a process for independent checking of internal control processes to the extent that their review addresses aspects of regularity.

It is for the accounting officer to determine if further work is necessary at year-end to evidence their statement of regularity, propriety and compliance. However, provided proper internal control processes reflecting the current regularity framework have been adequately documented and have operated during the year, there should be no need for significant additional scrutiny.

### **Regularity self-assessment questionnaire**

DfE publishes a [regularity self-assessment questionnaire](#) (RSAQ) to provide clarity of the accountability framework, key considerations and the type of evidence corporations may need to provide to their reporting accountant. This must be prepared annually by the corporation to support college accounting officers in drafting their statement of regularity, propriety and compliance. Colleges must provide a copy of their completed RSAQ to the reporting accountant, signed by the accounting officer and counter-signed by the chair of governors.

The RSAQ provides for the accounting officer to be able to properly consider the measures that have been put in place to ensure compliance with the [College Financial Handbook](#).

### **Retaining evidence in support of regularity**

The college accounting officer must be able to support their statement of regularity, propriety and compliance. This includes responses given in the RSAQ that the corporation completes and discloses to the reporting accountant. Although specific documentation is not prescribed, the accounting officer should retain a record of work undertaken throughout the year. This is to provide support for the sign-off at year-end and to assist with any reporting accountant queries. Where relevant, this should include evidence in relation to any instances where:

- enquiries were made of DfE or others as to whether consent was required before entering into a transaction, and the outcome
- it would have been necessary to obtain approval for any transactions beyond the delegated financial authorities set out in the College Financial Handbook

Where there is a change of accounting officer during the year, or up to the date of signing the declaration, it is the responsibility of the new accounting officer to be satisfied that they can support their signing of the statement. This will be achieved through discussions between the new accounting officer and the corporation, the internal auditor (if applicable), the senior leadership team and, where possible, the previous accounting

officer, who should provide a statement to the corporation on regularity, propriety and compliance covering the reporting period up until their date of departure, alongside all relevant working papers, minutes and reports during the period covered by the statement.

In respect of business combinations (that is, college mergers), the chair and accounting officer of the receiving entity are responsible for signing off, and submitting to DfE, audited accounts of any dissolving college. Similarly, the receiving colleges' accounting officer needs to be satisfied that they can support their signing of the statement of regularity, propriety and compliance. In the case of a college converting to academy status, the requirement for any such statement will be determined with reference to the framework for academy trusts.

Colleges 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:

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

As accounting officer of the college of [name of college] I confirm that I have had due regard to the framework of authorities governing regularity, propriety and compliance, including the college's accountability agreement with DfE, and the requirements of the College Financial Handbook. I have also considered my responsibility to notify the college's board of governors and DfE of material irregularity, impropriety and non-compliance with terms and conditions of all funding.

I confirm that I, and the board of governors, are able to identify any material irregular or improper use of all funds by the college, or material non-compliance with the framework of authorities.

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

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

- **Issue 1**
- **[X]**
- **Issue 2 etc**

- [X] <sup>7</sup>

**[Signed]**

**[Name to be typed]**

Accounting officer

**[Date]**

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<sup>7</sup> N.B. State the monetary amount if known.

## 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.

Colleges 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.

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### 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 DfE [***delete if necessary – and any other relevant funding bodies***], the college is required to prepare financial statements which give a true and fair view of the financial performance and position of the college for the relevant period. Colleges must also prepare a strategic report which includes an operating and financial review for the year. The basis for the preparation of the financial statements and strategic report is the Statement of Recommended Practice – Accounting for Further and Higher Education, DfE's College Accounts Direction and the UK's Generally Accepted Accounting Practice. In preparing the financial statements, the college 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 college 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 college will continue in operation.

The college 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 college.

The corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the college 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](#) (as amended), 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 college 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 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 DfE, or any other public funder, including that any transactions entered into by the college are within the delegated authorities set out in the College Financial Handbook. On behalf of the corporation, the chair of the board of governors is responsible for discussing the accounting officer's statement of regularity, propriety and compliance with the accounting officer.

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 college's resources and expenditure so that the benefits that should be derived from the application of public funds from 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 requirements

Colleges must make the following specific accounting disclosures beyond the requirements of FRS 102 and the FE and HE SORP.

### Remuneration disclosures

Colleges 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, DfE 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.

Colleges should make comprehensive disclosures and consider what other information enhances transparency and understandability. For example, colleges could consider providing stakeholders with more meaningful information to help them understand pay structures and movements.

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

Colleges must either adopt one of the codes or explain why they have not done so. This means that colleges 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 college must include details of its charitable status.

#### **ii. Public benefit**

The college 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 college has delivered its charitable purposes for the public benefit.

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

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

We also encourage colleges 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**

Colleges must disclose in the notes to the accounts the average staff numbers employed by the college in the year, categorised by role, i.e.

- management (including the college's senior executive leader and the other members of the senior leadership team, as determined by the college, who are not involved in day-to-day teaching),
- teaching,
- administration and support.

The figures must be the average headcount for each category, calculated monthly.

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

- wages and salaries paid or payable to staff members,
- social security costs (which includes the apprenticeship levy charge) incurred by the college on their behalf,
- operational costs of defined benefit pension schemes,
- other employee benefits (including payments into defined contribution pension schemes, and other taxable benefits such as car schemes and medical cover)
- agency staff costs, and
- staff restructuring costs including redundancy payments (i.e. where redundancy pay is payable), severance payments, payments in lieu of notice (whether contractual or non-contractual), and to include payments made in all other circumstances where a staff member is leaving and other costs for departing staff (including payments into the pension fund).

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

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

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the college directly or indirectly.

In addition to disclosure requirements set out in the FE and HE SORP, where the college has entered into an “off-payroll” arrangement with someone who is not an employee, including but not limited to when a former member of key management personnel continues to receive remuneration from the college in a consultancy or similar role, the amount paid by the college for that person’s work for the college in this role must also be included in this note as if they were an employee, and an explanation provided. The prior year figure should also be reported.

### **Higher-paid staff**

Colleges must disclose the number of higher-paid staff whose remuneration received in the accounting period (excluding any employer pension costs) fall within each band of £5,000 from a starting point of £60,000. Additionally, if a part-time member of staff received less than £60,000 in the year but would have received at least £60,000 pro rata on a full-time basis, this must be set out as a narrative disclosure within the note. The disclosure must state within which £10,000 band the full-time equivalent benefits would fall. Likewise, if a member of staff only worked for part of the year, but the full-year value of their remuneration would have been at least £60,000 on a pro-rata basis, this too must be set out as a narrative disclosure within the note, covering the same points.

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

Colleges must disclose the remuneration and other benefits 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. These amounts may be presented in £5,000 bandings and gross of any salary sacrifice. Severance payments paid or payable to the accounting officer and, if different, the highest-paid member of key management personnel, must be separately disclosed.

Where there has been more than one accounting officer during the period, the remuneration and other benefits of each must be disclosed separately, together with their start and end dates.

Where a previous accounting officer continues to receive remuneration or benefits in an employed, consultancy, advisory or sabbatical role, this must be disclosed with an explanation. Colleges must also detail any entitlement to retention sums awarded to the accounting officer, whether or not paid in the accounting period.

Where the accounting officer of the college is employed by or directly remunerated by another organisation then the college must still disclose in its financial statements the remuneration and other benefits that person received as the college accounting officer and provide an explanatory note.

### **(c) Definitions**

Remuneration means all employee benefits, including salary and all other forms of consideration paid, payable, expensed, accrued or provided by the college or on its behalf in exchange for services to the college. Remuneration should be disclosed gross of any salary sacrifice arrangements. Colleges must disclose separately any salary sacrifice arrangements, or if there are no such arrangements, a statement to that effect.

### **(d) Accrued remuneration**

Where remuneration for a member of key management personnel is accrued in the current accounting period or has been accrued in previous accounting periods, the value of the remuneration accrued in the period and / or the cumulative value of accrued remuneration (i.e. including prior period accruals) must be disclosed separately, with an explanation. Remuneration accrued in the accounting period for the accounting officer must also be included in the disclosure of the accounting officer's remuneration, together with an explanation.

Where remuneration has been paid to a member of key management personnel in the current accounting period, and that remuneration has been accrued over either one or more previous accounting periods, the total value accrued in the previous accounting period(s) must be disclosed separately, with an explanation.

### **vi. Severance payments for key management personnel and higher-paid staff**

Severance payments mean contractual payments, statutory payments and special staff severance payments arising from the termination of employment.

Colleges must disclose details of any severance payments connected with college affairs or connected with the affairs of a parent or subsidiary undertaking of the college; where paid or payable to key management personnel and higher paid staff, both past and present. Colleges must disclose:

- the total value of any severance payments paid or payable to these staff, including 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.

Severance payments include:

- the 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 (often referred to as pension strain payments), and
- payments in lieu of notice.

A note is not required if no such transactions arose.

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

#### **vii. Severance payments for all staff**

Colleges must disclose all severance payments during the accounting period, in the bands below.

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

Severance payment amount	Number of severance payments made
£0 - £25,000	5
£25,001 - £50,000	0
£50,001 - £100,000	0
£100,001 - £150,000	0
£150,000 +	0

Special severance payments are amounts paid to employees outside of statutory and contractual requirements. Colleges must disclose the individual value of all special staff severance payments made and expensed by the college during the accounting period. This is regardless of value and when these payments form part of the banded severance 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 (2025: £nil). Individually, the payments were: £1,000, £4,000, £4,000 and £6,000.*

The College Financial Handbook states when DfE approval is required to make special severance payments.

Colleges registered with the Office for Students should have regard to any additional disclosures relating to severance payments, required by 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 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. All such transactions must be disclosed not just those where consent was obtained from DfE.

#### **ix. Guarantees, letters of comfort and indemnities**

The college 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. All such transactions must be disclosed, not just those where consent was obtained from DfE.

#### **x. Compensation payments and ex-gratia payments**

The college 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. 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**

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 college meetings, as well as any payments with a remunerative element. Some transactions with governors require approval and these requirements are set out in section 2 of the [College Financial Handbook](#) and the Charity Commission's guidance [Charities paying a trustee or a connected person: understand the rules \(CC11\)](#)

Colleges 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**

Colleges must follow the requirements of FRS 102 and the FE and HE SORP for disclosure of their transactions and balances with related parties. However, where there have been no related party transactions at all, colleges 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, colleges 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 DfE and other government bodies respectively as separate items in an analysis of income from funding body grants.

In each case, colleges must distinguish deferred income relating to government grants between amounts attributable to capital and revenue grants. Colleges 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 DfE, 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 SORP<sup>8</sup>. 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. 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 colleges are encouraged to make an equivalent disclosure in respect of the reporting period 1 August 2025 to 31 July 2026 on their websites. DfE published [guidance on streamlined energy and carbon reporting for colleges](#), which includes a sector-relevant model disclosure note.

#### **xvi. Colleges' financial review**

The FE and HE SORP requires a fair and balanced strategic report on the college'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.

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<sup>8</sup> The same may be true of loans received from other public bodies depending upon the terms and conditions.

As regulator for the college sector, and in accordance with paragraph 3.23 of the FE and HE SORP, DfE 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 college
- explain the overall financial position of the college 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 college in the year, including an explanation of the causes of the college's net income/(expenditure) balance for the year
- describe the principal funding sources of the college
- be written in terms which a non-accountant would understand.

#### **xvii. Disclosures in relation to payments to fund a deficit in the Local Government Pension Scheme (LGPS)<sup>9</sup>**

Colleges must note the requirements of FRS 102 in relation to disclosures about defined benefit pension plans, such as the Local Government Pension Scheme. In particular, that paragraph 28.41(a) of FRS 102 requires a general description of the type of plan, which must include the college's funding policy. We draw attention to the obligation for colleges 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.

#### **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

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<sup>9</sup> The ICAEW and LGPS Scheme Advisory Board have published [an LGPS informer document](#) which explains the timeline and information flow for the triennial valuation and accounting and audit considerations.

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 or has not been recognised in the financial statements as a pension asset, including where the net asset value has been restricted.

#### **xx. Disclosures in relation to the movement in holiday pay accrual**

As stated in the [College Financial Planning Handbook](#), DfE 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.

#### **xxi. Disclosure for DfE funding for 16-19 bursaries (i.e. discretionary bursaries and bursaries for vulnerable groups) and free meals in further education (FEFM)**

Colleges must make a disclosure in their financial statements about the 16-19 bursaries (discretionary and vulnerable) and free meals in further education (FEFM) funds they have distributed in line with the model disclosure below. Advanced Learner Loan Bursaries and other bursaries such as residential bursaries are not in scope of this disclosure.

The college distributes 16-19 discretionary and vulnerable bursaries and free meals in further education (FEFM) funds to students as an agent for DfE.

In the accounting period ended 31 July 2026, the college received a total of £x and disbursed £x from DfE 16-19 discretionary and vulnerable bursaries and FEFM funding after charging £x for administration costs.

As at 31 July 2026, the cumulative unspent 16-19 discretionary and vulnerable bursary funds and FEFM funding is £x, of which £x relates to funds that are in scope to be returned to DfE in March 2027.

Comparatives for the accounting period ended 31 July 2025 are £x received from DfE, £x disbursed to learners after charging £x for administration costs, and total cumulative unspent funds of £x, of which £x was repaid to DfE.

# Annex E: Advice to colleges in respect of preparatory steps to be taken in advance of the updated Statement of Recommended Practice for Further and Higher Education

## Context

In September 2024, the Financial Reporting Council (FRC) published a new edition of [Financial Reporting Standard 102](#) (FRS 102) reflecting the periodic review amendments. The updated standard makes a number of changes to UK Generally Accepted Accounting Practice which moves the framework closer to the International Financial Reporting Standards. The key changes in the updated standard concern lease accounting and revenue recognition:

- **Leases:** Lessees will be required to recognise all significant leases on the balance sheet, reflecting a right-of-use asset and a lease liability, so largely replacing the previous distinction between operating and finance leases.
- **Revenue recognition:** The updated standard now adopts a five-step approach for recognising revenue from contracts with customers, with a greater emphasis on performance obligations. Generally, this will not impact the recognition of grant income which, as a type of non-exchange transaction, is treated differently to commercial income. Colleges should consider carefully whether the new 5-step model applies to the income they receive from each funding stream,

## Effective date

A new Further Education and Higher Education SORP was published on 3 November 2025 to provide sector specific guidance. The new FRS 102 amendments are effective for accounting periods beginning on or after 1 January 2026, and the new SORP takes effect from this date. Colleges **must** not adopt the new SORP earlier.

This means that there will be no impact on the College Accounts Direction for the financial year 2025 to 2026 because of these developments (other than this Annex), but the 2026-27 edition will comply with the updated FRS 102 and SORP, meaning that college financial statements for the year 2026 to 2027 will need to be prepared on the basis of the updated standard and new SORP. However, colleges should consider

assisting readers of their financial statements for the year 2025 to 2026 by referencing the upcoming changes in their strategic report for 2025 to 2026.

## Preparation

College finance staff leading on the preparation of financial statements should prepare for the implementation of the new SORP and refreshed accounts direction by:

- Reading about the changes. The Financial Reporting Council's [updated factsheets](#) are a useful resource. The key changes regarding lease accounting are covered in FRS 102 Factsheet 11 - Lease accounting for lessees and the changes to revenue recognition in FRS 102 Factsheet 10 - Revenue from Contracts with Customers.
- Reviewing the final FE and HE SORP guidance and monitoring for sector updates and clarification.
- Ensuring that senior leadership and governance bodies are aware of the changes (if not already aware).
- Building the new SORP into their 2026-27 year-end planning.
- Engaging with their advisers and auditors as early as possible to understand the impact on their organisation, and what their evidence requirements are likely to be.
- Early reviewing and recording of their organisation's lease commitments, and revenue streams and contracts.
- Carrying out initial impact assessments to estimate the impact on their organisation's financial statements (in particular, the impact on the balance sheet), banking and covenants.
- Updating accounting policies and processes, and financial systems and controls, as necessary, to accommodate the new requirements in time for the effective date.
- Rolling out information/training sessions to colleagues impacted by the changes.

## Transition

Colleges need also to give early thought to their transition approach, documenting it and discussing it with their auditors. They should refer to the guidance in FRC's [FRS 102 Factsheet 9 - Initial application of Periodic Review 2024 amendments](#). Particular attention should be paid to the provision that the impact on revenue recognition provides for a discretion as to whether:

- a full retrospective approach is adopted. This would require the 2025-26 comparative figures, as disclosed in the college's financial statements for financial year 2026 to 2027 to reflect all 2025-26 contract revenue figures on the basis of the new SORP, with an appropriate reconciliation note.

or

- a modified retrospective approach is adopted. This would not require any 2025-26 comparative information to be restated in the financial statements for the financial year 2026 to 2027. Rather the opening balances at the start of 2026-27 would simply reflect what the 2025-26 closing balances would have been if the new SORP had been applied in financial year 2025 to 2026.

In terms of the initial application of the new SORP to leases, there is no such discretion, and the modified retrospective approach is a requirement, with the cumulative effect of initially applying the standard being recorded as an adjustment to opening retained earnings. The comparative information therefore remains as previously presented, with any operating leases off-balance sheet.

Adopting the modified retrospective approach for both revenue and leases accounting would balance compliance with practicality, especially for those with limited resources, and simplify the transition while still aligning with FRS102/SORP principles.

## Further resources

College finance staff should refer to the online resources prepared by accountancy professional bodies and accountancy firms to help accountants prepare for the introduction of the FRS 102 amendments, including:

- The Institute of Chartered Accountants in England and Wales (ICAEW) has

produced a number of [Helpsheets](#)

- The Association of Chartered Certified Accountants has produced [factsheets](#) on lease accounting and revenue recognition
- The British Universities Finance Directors Group (BUFDG) has produced [resources](#) aimed at higher education institutions which should be useful for colleges.



Department  
for Education

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