

Cylchlythyr | Circular

Accounts Direction to Higher Education Institutions for 2018/19

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To: Heads of higher education institutions in Wales
Finance Directors of higher education institutions in Wales
Response by: No response required
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This circular provides information on the HEFCW's requirements for the format of Welsh higher education institutions' audited financial statements.

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Introduction

1. The purpose of this circular is to inform institutions of HEFCW's requirements for the format of their audited financial statements for the year 2018/19.

Accounts Direction for 2018/19

2. Higher education institutions (HEIs) are required to follow the 'Statement of Recommended Practice: Accounting for Further and Higher Education' 2015 (the SORP), or any successors to the SORP, when preparing their financial statements. Early adoption of the new SORP (2019) is permitted. Links to both SORPs and guidance on implementation of some areas can be found in the [SORP](#) area of the British Universities' Finance Directors' Group (BUFDG) website. If there are any inconsistencies between the requirements of the SORP and this accounts direction then this accounts direction will prevail.
3. In the case of an institution which is also a company limited by guarantee, this direction is subject to the requirements of the Companies Act.
4. The financial statements shall be signed by the Accountable Officer and by the Chair or one other member of the governing body appointed by that body.
5. Institutions should note that the formats of the primary accounting statements (consolidated statement of comprehensive income and expenditure, consolidated statement of changes in reserves, balance sheet, and consolidated cash flow statement) should be followed. The financial statements should follow BUFDG's latest model financial statements where possible to promote consistency of treatment within the sector, whilst having due regard to the diversity of institutions, and clarity of presentation to users. These can also be found in the [SORP](#) area of the BUFDG website (see paragraph 2 above).
6. With the move by the Higher Education Statistics Agency (HESA) to the provision of open data, third party users are increasingly likely to extract Institutions' data for comparison and comment from this source as opposed to the published financial statements. We would therefore expect Institutions to have due regard to HESA definitions and guidelines for categorisation within the financial statements in order to ensure that the financial statements as approved by the governing body are in line with the HESA finance record submitted subsequently. HESA guidance can be found on the [HESA website](#) under Finance.
7. The notes to the accounts should contain analyses of income and expenditure and balance sheet items consistent with recognised good accounting practice and should be sufficiently detailed to enable users to obtain a clear understanding of how the institution is performing financially.

8. The financial statements should further comply with any relevant requirements of the Charities Act 2011 in so far as it relates to an institution.
9. HEIs should also:
 - a. Ensure that the contracts for external audit make provision for an opinion on all areas required, specifically:
 - i. that the financial statements give a true and fair view of the state of the higher education institution's affairs, and of its income and expenditure, gains and losses, changes in reserves and cash flows for the year. They should take into account relevant statutory and other mandatory disclosure and accounting requirements, and HEFCW requirements.
 - ii. that the financial statements have been properly prepared in accordance with the financial reporting standard (FRS102), the statement of recommended practice: accounting for further and higher education, and relevant legislation.
 - iii. funds from whatever source administered by the higher education institution for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation.
 - iv. whether the institution has applied income, where appropriate, in accordance with the HEFCW Financial Management Code (FMC) ([W17/16HE](#)) paragraph 145, and whether Funding Council grants have been applied in accordance with terms and conditions attached to them and used for the purposes for which they were received.
 - v. that the requirements of HEFCW's accounts direction have been met.
 - b. Provide detailed analysis and disclosure within the financial statements of audit and other fees paid to external auditors, in accordance with Statutory Instrument SI 2008 No 489 - *The Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008* and the Amendments to these Regulations encompassed within *Statutory Instrument SI 2011 No 2198*. This is required for those HEIs to which company law applies. The Statutory Instrument can be viewed at the *Office of Public Sector Information website* (www.legislation.gov.uk).
 - c. In their management letters or reports, auditors should have regard to the specific requirement of HEFCW, such as compliance with increases in financial commitments thresholds, or other issues of non-compliance.

Going concern and liquidity risk

10. The members of the governing body must confirm in the annual report that the financial statements are prepared on a going concern basis. They must also confirm that they have carried out a robust assessment of the principal risks and material uncertainties facing the institution, including those that would threaten its business model, future performance, solvency or liquidity. The report must describe those risks and explain how they are being managed or mitigated.

Sustainability reporting

11. The Financial Sustainability Strategy Group (FSSG) established a pilot scheme for sustainability reporting in 2013. A number of institutions voluntarily submitted their Annual Sustainability Assurance Reports (ASSUR) for 2012-13, and the overall response to the pilot scheme led to a number of modifications to the report, and the pilot scheme was run until 2014-15. ASSUR Reports have also been submitted for subsequent years. It is expected that the operating and financial report section of the financial statements should state how the institution is ensuring its sustainability, including through its strategy, quality of teaching and research, management of key risks including cash flow management, proposed financial commitments and material leases, and investment in estates and infrastructure. The Committee of University Chairs (CUC) [Higher Education Code of Governance](#), issued in December 2014 and revised in June 2018, states that the governing body must rigorously assess all aspects of the institution's sustainability in the broadest sense using an appropriate range of mechanisms. We consider that submitting the ASSUR is one way of demonstrating this assessment and will therefore continue to request the ASSUR on a voluntary basis. In May 2017 FSSG and CUC jointly produced [Illustrative Practice Note 4 on institutional sustainability](#), which offers guidance on how governing bodies might assess the institution's sustainability.

Corporate governance and internal control

12. A provider must include a 'statement of corporate governance' in its financial statements. This statement must set out a description of the provider's corporate governance arrangements and a statement of the responsibilities of the governing body. It must explicitly relate to the period covered by the financial statements, and the period up to the date of approval of the audited financial statements.
13. The Committee of University Chairs' (CUC's) voluntary [Higher Education Code of Governance](#) (see paragraph 11 above) recommends that HEIs include in their annual audited financial statements a statement which sets out the institution's governance arrangements and which confirms that they have had regard to the CUC Code in adopting those arrangements. We

would expect the financial statements to include an explicit statement to either confirm that the Institution has complied with all of the principles of the Code or, where there are exceptions, to provide details of how these are being addressed, including time lines.

14. A provider must include a 'statement of internal control' in its financial statements. The statement of internal control relates to a provider's arrangements for the prevention and detection of corruption, fraud, bribery and other irregularities. It must include how the principles of internal control have been applied.
15. A provider may combine the statement of corporate governance with the statement of internal control, provided that all of the disclosures required are made. Further guidance on these requirements is set out in **Annex C**.

Related Party Disclosures

16. Institutions are reminded of the disclosure requirements for related party transactions. Such transactions involving trustees, irrespective of whether or not they are undertaken on an arm's length basis, must be disclosed with the name(s) of the transacting related party or parties. The disclosure should also include a description of the relationship between the parties (including the interest of the related party or parties in the transaction, a description of the transaction, and the amounts involved).

Remuneration of higher-paid staff

17. In line with Welsh Government requirements for openness and transparency, institutions are required to disclose:
 - a. the actual total remuneration of the head of institution.
 - b. the basic and total remuneration of the head of institution express as a ratio of basic and total full time equivalent staff salaries.
 - c. the remuneration of higher paid staff in bands of £5,000 from a starting point of £100,000.
 - d. details of any compensation paid or payable to the head of institution and to staff whose annual remuneration exceeds £100,000.

Institutions are urged to pay particular attention to the disclosure requirements for higher paid staff as detailed above, particularly in respect of the definition of 'remuneration' and the analysis of salary, benefits in kind and employer's pension contributions. Further detail of the requirements is set out in **Annex A** for remuneration and **Annex B** for compensation.

Charities Act 2011

18. Institutions are advised that under the [Charities Act 2011](#) the following information should be included in their audited financial statements and related reports:
- a. the charitable status of the HEI.
 - b. the trustees who served at any time during the financial year and until the date the financial statements were formally approved.
 - c. a statement that the charity has had regard to the Charity Commission's guidance on public benefit.
 - d. a report on how the HEI has delivered its charitable purposes for the public benefit.
 - e. information about payments to or on behalf of trustees, including expenses; payments to trustees for serving as trustees (and waivers of such payments); related party transactions involving trustees.

Date of submission to HEFCW of audited financial statements

19. The latest date for submission of HEIs' audited financial statements for 2018/19 is **Friday 29 November 2019**. Earlier submissions are welcome. The financial statements should be published on the Institution's website no later than 31 December.
20. The Accounts Direction is reviewed annually. This Accounts Direction will remain in force unless institutions are notified otherwise. We recommend placing a copy of this circular and its annexes before your Finance and Audit Committees for information.

Further information

21. For further information, contact Diane Rowland (tel. 029 2085 9717; email diane.rowland@hefcw.ac.uk).

Remuneration of heads of institutions and higher paid staff

In determining senior officer remuneration and severance payments, HEIs should ensure that they follow good practice in their governance arrangements for determining the appropriate remuneration of senior officers. This includes having regard to the CUC [Higher education senior staff remuneration code](#) published in June 2018.

HEIs are required to disclose the following:

Head of Institution

- a. The actual total remuneration of the head of institution, disclosing separately:
 - i. basic salary.
 - ii. Payment of dividends (including, but not limited to, dividends paid in lieu of salary).
 - iii. performance-related and other bonuses awarded for the financial year, including any deferred payment arrangements and separate disclosure of amounts waived, which should be disclosed separately together with any required narrative to enhance transparency.
 - iv. pension contributions and payments in lieu of pension contributions.
 - v. salary sacrifice arrangements.
 - vi. compensation for loss of office.
 - vii. any sums paid under any pension scheme in relation to employment with the provider.
 - viii. any sums paid by way of expenses allowances (in so far as those sums are charged to UK income tax).
 - ix. the estimated money value of any other taxable benefits received by the head of institution, other than in cash. Providers must state the nature of each of the taxable benefits and the estimated money value of each (in particular company cars, subsidised loans including mortgage subsidies, and subsidised accommodation).
 - x. Non-taxable benefits. Providers must disclose
 - o the nature of each of the non-taxable benefits.
 - o the cost to the provider of providing each of them.

The non-taxable benefits that must be disclosed are those that are available only to senior members of staff or are available only to the head of the provider. This may include contributions to relocation costs, living accommodation and any other

tangible benefit to which the provider should be able to ascribe a cost of provision of the benefit. Providers do not need to disclose non-taxable benefits that simply flow from being a member of the provider's staff and that are given to, or as a minimum are available to, all members of staff. See further guidance in **Annex D**.

- xi. contributions to relocation costs.

The HEI must show a sub-total excluding pension contributions and a total including them. Salary sacrifice arrangements should be described.

- b. Other remuneration. Providers must disclose the nature of any other types of remuneration and the cost to the provider of providing each type of remuneration. The types of remuneration may include compensation for loss of benefits, ex-gratia and remuneration payments while on sabbatical, and payments for consultancy work that are made to the individual (via the provider), rather than to the provider, for work delivered using the provider's resources.
- c. A justification for the total remuneration package for the head of the provider. The justification must include reference to the context in which the provider operates, and be linked to the value and performance delivered by the head of the provider. It should contain an explanation of the process adopted for judging their performance. We would recommend that institutions utilise the guidance within the CUC remuneration report model.
- d. The remuneration of the head of provider is required to be expressed as two pay ratios:
 - i. basic salary as a ratio of the median basic salary of all staff (expressed as full-time equivalent). This is the basic salary prior to any adjustment for salary sacrifice, where applicable.
 - ii. total remuneration as a ratio of the median total remuneration of all staff (expressed as a full-time equivalent). Total remuneration includes all elements of pay including market supplements, bonuses and responsibility allowances.

If the head of provider has been in post for part of the year only, then a full year full time equivalent amount should be used for the ratios, with a separate pay ratio expressed for each head of provider who has been in post during the year.

Further guidance on the calculation of these medians is provided in **Annex D**.

- e. Where there is a change in the head of the provider (including the appointment of an acting head) either between years or during a year, providers must make the disclosures set out separately for each individual, and provide the start and end dates of appointments for both the current financial year and previous financial year. Where a previous head of provider continues to receive remuneration in an employed or consultancy role after they cease to be the head of the

provider, such as in an advisory or sabbatical role, this should be included in the total with an explanation.

Higher paid and senior staff

- f. The number of higher-paid staff whose emoluments received in the year (including taxable benefits in kind, but excluding compensation for loss of office and employer pension costs) fall in bands of £5,000 from a starting point of £100,000. The head of institutions should be explicitly excluded from this table. The bandings should be disclosed including payments funded from external sources, including the NHS included in emoluments. As this is divergent from England, the inclusion should be explicit in the narrative. In order to provide greater comparability with the English sector, institutions may choose to also disclose the median figures excluding NHS or other part funding. Royalties or other payments that are outside the affairs of the HEI do not count as emoluments for this purpose. Remuneration should be disclosed gross of any salary sacrifice arrangements. This disclosure is additional to that required by FRS 102.

Disclosure is not required for staff who joined or left part-way through a year but who would have received emoluments in these bands in a full year.

Atypical staff

- g. In order to provide enhanced comparability across the sector Institutions are required to disclose the total atypical staff costs incurred in the year. Atypical staff can be classified under HESA definitions as
 - i. agency staff,
 - ii. self-employed staff,
 - iii. honorary contracts where the contract is not deemed to be a contract of employment,
 - iv. staff employed not by the Institution, but by a company consolidated into the Institution's accounts.

Key management personnel

- h. Disclosure of remuneration of those individuals identified as key management personnel should include the number of individuals, or a narrative listing of the job titles sufficient to calculate the number of individuals so classified, as well as the total remuneration.

Severance payments

- i. The aggregate amount of any compensation paid to any head of institution and higher paid employee for loss of office (see **Annex B**)

and the number of employees who have been paid such compensation.

Further guidance on both calculation and disclosure is provided in **Annex D**.

Council members

- j. Institutions should disclose remuneration, reimbursed expenses and any transactions with members of their governing bodies or their related parties.

Compensation for loss of office

1. Paragraph 25.8 of the HEFE SORP 2015 requires that institutions disclose the total compensation paid to key management personnel. FRS 102 defines key management personnel as “those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity”. Compensation includes all forms of consideration paid, payable or provided by the institution or on its behalf in exchange for services to the institution. Institutions are required to disclose this information at an aggregate level, not an individual level. The disclosure should be reported gross of any salary sacrifice arrangements.

Providers must have regard to the [Guidance on decisions taken about severance payments in HEIs](#) published by the CUC.

Disclosure requirements:

2. The disclosure requirements are detailed below and relate to heads of institution or any higher paid employee whose remuneration exceeded £100,000 in the reporting year and/or in the year immediately preceding the reporting year.
3. Institutions shall show the aggregate amount of any compensation for loss of office paid or payable to the head of institution and to staff earning in excess of £100,000 per year, and the number of persons to whom it was payable.
4. This amount disclosed must also include and distinguish between compensation paid or payable for either of the following:
 - a. loss of office as a head of institution or staff member earning in excess of £100,000 per year.
 - b. while a head of institution or staff member earning in excess of £100,000 per year, or on or in connection with ceasing to hold such a position, loss of either of the following:
 - i. Any other office connected with the management of the HEI's affairs.
 - ii. Any office as a head of institution or staff earning in excess of £100,000 per year, or otherwise connected with the management of the affairs of a subsidiary undertaking of the HEI.
5. The amount shall distinguish between compensation in respect of the offices of head of institution and staff earning in excess of £100,000 per year, whether of the HEI or any of its subsidiary undertakings, and compensation in respect of other offices.

6. References to compensation include benefits other than cash, and references to the amount of such compensation are to the estimated money value of the benefit. The nature of such compensation shall be disclosed in detail. HEIs shall describe the source of funding for any compensation award.
7. References to compensation for loss of office include compensation paid or payable in consideration for, or in connection with the retirement from office of a head of institution or employee whose remuneration exceeded £100,000 in the year.

Corporate governance and internal control

1. The Committee of University Chairs' (CUC's) voluntary [Higher Education Code of Governance](#) recommends that HEIs include in their annual audited financial statements a statement which sets out the institution's governance arrangements and which confirms that they have had regard to the CUC Code in adopting those arrangements. The Code states that the seven primary elements identified are the hallmarks of effective governing bodies operating in the UK HE sector and 'apply or explain' means that in order to report that an institution has applied the Code a governing body needs to:

a. be confident that it has in place all of the primary elements. In order to do so it will be necessary for a governing body to meet or exceed the requirements of the supporting 'must' statements that prescribe essential components within the element.

Or

b. Explain where it considers a whole primary element or supporting 'must' statement inappropriate. In such cases the rationale should be clearly noted, and the alternate arrangements summarised within the governance statement on the use of the Code.

Institutions are reminded that adoption of the CUC HE Code (with the principles of the Code adapted as appropriate to each institution's character) is an important factor in enabling HEFCW to rely on self-regulation within HEIs and hence reduce the accountability burden.

We would expect the financial statements to include an explicit statement to either confirm that the Institution has complied with all of the principles of the Code or, where there are exceptions, to provide details of how these are being addressed, including time lines.

2. In relation to corporate governance, risk management and systems of control:

a. Institutions are required to ensure that they maintain a sound system of internal control and that the following key principles of effective risk management have been applied.

Effective risk management:

- i. covers all risks - governance, management, quality, reputational and financial. However, it is focused on the most important key risks.
- ii. produces a balanced portfolio of risk exposure.
- iii. is based on a clearly articulated policy and approach.
- iv. requires regular monitoring and review, giving rise to action where appropriate.

- v. needs to be managed by an identified individual and involve the demonstrable commitment of governors, academics and officers.
 - vi. is integrated into normal business processes and aligned to the strategic objectives of the organisation.
- b. Institutions are required to review at least annually the effectiveness of their system of internal control.
- c. Institutions are required to include in their financial statements a statement on internal control (corporate governance). In formulating disclosure statements HEIs should refer to good practice guidance, including any relevant guidance from the British Universities Finance Directors Group (BUFDG). It is recognised that the guidance may need to be adapted to more accurately reflect the different internal structures and systems in place in each individual institution. As a minimum these disclosures should include an account of how the following broad principles of corporate governance have been applied to ensure that:
- i. the identification and management of risk should be an ongoing process linked to the achievement of institutional objectives.
 - ii. the approach to internal control should be risk-based, including an evaluation of the likelihood and impact of risks becoming a reality.
 - iii. review procedures must cover business, operational and compliance as well as financial risk;
 - iv. risk assessment and internal control should be embedded in ongoing operations.
 - v. the governing body or relevant committee should receive regular reports during the year on internal control and risk.
 - vi. the principal results of risk identification, evaluation and management review of the effectiveness of the arrangements should be reported to, and reviewed by, the governing body.
 - vii. the governing body should acknowledge that it is responsible for ensuring that a sound system of control is maintained and that it has reviewed the effectiveness of these arrangements.
 - viii. where appropriate, details of actions taken or proposed to deal with significant internal control issues should be set out.

Significant internal control issues

3. The statement of internal control must set out any significant internal control weaknesses or failures that have arisen during the financial year, or after the year end but before the financial statements are signed. Where appropriate, information about actions taken or proposed to deal with significant internal control weakness or failure should be set out.

4. Where appropriate the governing body should set out in the statement of internal control details of actions taken or proposed to deal with significant internal control issues. This is to deliver assurance that significant internal control issues are being addressed.
5. Although it is not possible to provide a definition to suit all contexts, because the significance may change depending upon the circumstances, the following indicators of a significant internal control weakness or failure should be considered:
 - a. Does it seriously prejudice or prevent achievement of a strategic objective or target of the institution?
 - b. Does it result in the need to seek additional funding to enable it to be resolved, or in a significant diversion of resources from other parts of the institution?
 - c. Does it lead to a material impact on the financial statements?
 - d. Does the audit committee advise that it is significant in this context?
 - e. Does the head of internal audit report on it as significant for this purpose in his (her) annual opinion?
 - f. Does the external auditor regard it as significant (e.g. is it a high priority recommendation or qualification of opinion)?
 - g. Does the issue or its impact attract significant public interest, or has it seriously damaged the reputation of the institution and/or the sector?
 - h. Has the issue, or should it have been, reported to HEFCW as a failure or likely failure to comply with the Financial Management Code (HEFCW circular [W17/16HE](#)), or as a material adverse event or serious weakness as required under the Memorandum of Assurance and Accountability ([W15/32HE](#))?. This includes a need to consider whether to report as a serious internal control weakness any serious incident relating to the Prevent duty linked to the institution. **Annex D** of HEFCW's Prevent Duty monitoring framework ([W16/39HE](#)) sets out the required process for reporting serious incidents and third party reports relating to the Prevent duty.
6. All institutions are required to make a full disclosure statement on corporate governance covering the period 1 August to 31 July each financial year and up to the date of approval of the audited annual accounts.
7. External auditors might consider whether to report by exception in the opinion section of their audit report. This might be appropriate if, for example, the auditors had grounds for believing the statement did not reflect their understanding of the process undertaken. In most circumstances the reporting by exception would result in an 'other matter' paragraph and would not qualify the audit opinion.

8. However, in other circumstances it could qualify the opinion, since by not complying with the Accounts Direction the institution would be in breach of the Financial Management Code ([W17/16HE](#)). This could be the case if, for example, no statement on corporate governance was included. Furthermore, a qualification could be made if weaknesses in the internal control and risk management arrangements were such that the auditor was unable to provide a view on the truth and fairness of the financial statements.

Further guidance on calculation of head of provider and senior pay disclosure

1. 'Remuneration' means remuneration paid to or receivable by any person for:
 - a. Services to the institution.
 - b. Services as a director or officer of any subsidiary of the institution.

2. For this purpose, 'remuneration' paid to or receivable by an employee includes their normal salary, and:
 - a. Fees. External payments should be included within the remuneration disclosed. Payments received from the NHS will normally be in connection with the management of the affairs of the university or college and should therefore be included as an external payment. There may, however, be cases where royalties or other payments are received which are regarded as outside the affairs of the institution.
 - b. Bonuses (but not details of bonuses earned).
 - c. Any expense allowance (to the extent that they are chargeable to UK income tax).
 - d. The estimated money value of any benefits received other than in cash (in particular share options, company cars, subsidised loans [including mortgage subsidies] and subsidised accommodation). Best commercial practice is to interpret the money value of benefits in kind by reference to the market value of the facility provided. Where it is not practicable to use market values, taxable values should be used.
 - e. Guidance on the treatment of cars and subsidised accommodation is as follows:

Cars

Where an HEI provides a leased car the market value could be calculated with reference to the lease payments and additional running costs borne by the HEI. If the HEI purchases a car for (say) the head of institution then the sum disclosed could be calculated by reference to annual running costs including depreciation and associated interest costs. This may involve distinguishing between private and business mileage and require the head of institution to keep a record of private and institutional mileage.

Accommodation

Subsidised accommodation - where the HEI owns the property, the benefit derived by the head of institution is the difference between the rent paid (if any) and additional running costs borne by the institution and the estimated market rent for that property which the HEI would receive if it were to lease the premises on a commercial basis. If the HEI leases the property, the benefit could be assessed as the

difference between the rent and other expenses paid by the HEI and that paid by the head of institution. Private and institutional use of the accommodation will need to be apportioned on a fair and consistent basis, and the head of institution should keep a record of institutional use to help with the calculation of a fair apportionment.

Taxable benefit – providers should use the sums declared for P11D or P60 purposes to arrive at this figure, which will need to be adjusted to reflect the value for the academic year as opposed to the tax year.

Non-taxable benefit – providers should be able to ascribe a cost to rental and overheads met by the provider. The provider should also know the proportion of the year that the property is used for official events (including but not limited to formal dinners or receptions for the provider's business) and what is personal use (where there are no official events for the provider). Providers should pro-rate the costs accordingly to ensure that the official use of the property is not included as a benefit.

Where a property is fully owned by the provider, costs may be minimal, but still reflect a substantial benefit to the head of provider. In such cases, providers should disclose the opportunity cost to the provider of not being able to rent the property out commercially. This cost should be pro-rated to remove official use as set out above.

Please include a brief description of the accommodation arrangement.

HMRC introduced new regulations covering non-taxable accommodation in April 2019. Where the status of accommodation was previously non-taxable, but becomes taxable from April 2019, please also disclose the equivalent amount of benefit for the year under the new rules.

3. The calculation of the remuneration of the head of provider expressed as a ratio of staff basic and total remuneration should include the following:
 - i. If the head of provider has been in post for part of the year only, then a full year full time equivalent amount should be used for the ratios, with a separate pay ratio expressed for each head of provider who has been in post during the year.
 - ii. The median staff salary calculations should include all staff on a full time equivalent basis. This includes academic and non-academic staff, and all staff who are full-time, part-time, fixed-term or temporary contracts.

We do not require institutions to include piecemeal or agency staff within this calculation (i.e. those staff defined by HESA as atypical) however in order to aid sector comparability we do require total atypical staff to be disclosed as an aggregate within the financial

statements.

- iii. Basic and total salary calculations should be consistent with definitions provided elsewhere within this accounts direction. The calculation of full time equivalent should incorporate consideration of overtime payments where applicable. Benefits in kind should be based on the financial year.
 - iv. Where salary is part-funded by another body, such as the NHS, this element should be *included* within the calculation, and this should be explicitly stated in the narrative. In order to provide greater comparability with the English sector, institutions may choose to also disclose the median figures excluding NHS or other part funding.
4. For the avoidance of doubt, employers' National Insurance contributions are excluded from remuneration.
 5. Compensation for loss of office is a category of payment different from 'remuneration'. Consequently, it should not be included in that person's remuneration for banding purposes.