



Skills Funding
Agency



Education
Funding
Agency

College accounts direction 2016 to 2017

**Financial reporting requirements for
sixth-form and further education colleges**

March 2017

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College accounts direction 2016 to 2017

Introduction

1. The college accounts direction 2016 to 2017 sets out the Skills Funding Agency (SFA) and Education Funding Agency (EFA) financial reporting requirements for sixth-form and further education colleges.
2. The accounts direction is published by SFA/EFA on behalf of the Secretary of State for Education in their role as principal regulator.
3. This version applies to all periods commencing on or after 1 August 2016. It will continue to apply until it is superseded by an updated version.
4. This accounts direction is primarily for use by:
 - college principals / chief executives / finance directors
 - chairs of college finance / audit committees
 - college external auditors / reporting accountants

What has changed in this edition?

5. Changes in this version include:
 - updates to reflect [legislation](#) designating the Secretary of State for Education as principal regulator of further education colleges
 - clarity on the requirement to submit the finance record
 - deletion of information on specific accounting and disclosure matters where covered in the underlying framework

Submission of documents

6. Colleges must submit the following documents for the year ending 31 July 2017 to SFA/EFA by 31 December 2017:
 - audited annual report and financial statements (referred to as 'accounts') including the reporting accountant's report on regularity (scanned copy)
 - finance record signed by the accounting officer (scanned copy of signed version and unsigned Excel version)
 - external auditor's management letter, including college's response (scanned copy)
 - annual report of the college's audit committee (scanned copy)
 - where appropriate, audited accounts of any subsidiary company (scanned copy)

7. SFA/EFA will confirm the submission route closer to the deadline. Colleges do not need to submit hard copies of documents.
8. Colleges must publish their audited accounts on their website within two months of the date of approval. Colleges should retain at least two years of accounts on their website.

Approval of documents

9. The accounts must be approved by the corporation and signed as follows:

Component	Signatory
Members' report (or equivalent)	Chair of governors
Balance sheet(s)	Accounting officer and one other member of the corporation (usually the chair of governors)
Statement of corporate governance and internal control (see Annex A)	Accounting officer and chair of governors
Statement of regularity, propriety and compliance (see Annex B)	Accounting officer and chair of governors
Statement of responsibilities of the members of the corporation (see Annex C)	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 audit opinion and regularity report.

Specialist designated institutions

11. We use the term 'corporation' in this document to refer to further education and sixth-form college corporations established under the Further and Higher Education Act 1992, where members of the corporation form the college's governing body.
12. For the avoidance of doubt, the requirements herein apply equally to specialist designated institutions, which are independently constituted charities, to the extent permitted by their trust deeds and underlying legislation.

Basis for preparing accounts

13. Colleges must follow the [Statement of Recommended Practice: Accounting for Further and Higher Education \(SORP 2015\)](#), or any successor to SORP 2015, in preparing their accounts.
14. This accounts direction is subject to the financial reporting requirements of any legislation relevant to colleges' constitutions, for example the Companies Act 2006.
15. Colleges must:
 - include the statements set out in **Annexes A to C**
 - follow the accounting and disclosure requirements set out in **Annex D**
16. Assurance requirements for colleges are set out in the Post-16 Audit Code of Practice and are not duplicated here.

Finance record

17. As noted above, colleges must prepare a finance record and submit this to the Department alongside their audited accounts.
18. Colleges must ensure that the finance record:
 - is completed in full, including all parts of all schedules
 - replicates the accounts insofar as the template allows
 - includes narrative explanation for any significant variances from the estimated outturn submitted in the July 2017 financial plan

Annex A: Statement of corporate governance and internal control

The Association of Colleges published the [Code of Good Governance for English Colleges](#) (the Code) to help colleges meet basic governance requirements. It sets out practices for colleges to adopt, in order to demonstrate they are conducting business in the best interests of their students and funders. Colleges must either:

- comply with the Code; or
- have due regard to the principles and guidance of the [UK Corporate Governance Code 2016](#) insofar as they apply to the college sector

Colleges must publish a statement of corporate governance and internal control with their accounts (§ 3.12 of SORP 2015) which must include:

- declaration of compliance with the 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 2016 the college has due regard to its principles and guidance'
- details of those who served as members of the corporation during the year and to the date of approval of the accounts, including a record of attendance at meetings
- the governance framework, including:
 - committee structure
 - appointments to the corporation
 - the coverage of the corporation's work during the period
- how the corporation identifies, evaluates and manages risk (including operational, financial, compliance and other risks)
- 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 § 6(3)(c) of Part 2 of Schedule 4 of the Further and Higher Education Act 1992, as updated by the Education Act 2011)
- an assessment of whether the college is a going concern, whether this supports the adoption of the going concern assumption and any supporting assumptions, qualifications and mitigating actions, as appropriate (which must be consistent with other disclosures in the accounts and auditor's report)
- the corporation's performance, including its assessment of its own effectiveness
- actions taken/proposed to deal with significant internal control issues, as appropriate

The statement must cover the period from 1 August 2016 to the date of approval of the accounts.

Annex B: Statement of regularity, propriety and compliance

Colleges are in receipt of significant public funds and as part of that stewardship role, must be able to assure SFA/EFA, who in turn assure Parliament and the public, of high standards of probity in the management of those funds.

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

Statement of regularity, propriety and compliance

The corporation has considered its responsibility to notify [SFA/EFA] of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the college's [financial memorandum with SFA/funding agreement with EFA]. As part of our consideration we have had due regard to the requirements of the [financial memorandum/funding agreement].

We confirm on behalf of the corporation that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the college, or material non-compliance with the terms and conditions of funding, under the college's [financial memorandum with SFA/funding agreement with EFA].

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

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

- [instances to be raised]

[Signed]

[Signed]

[Name to be typed]

[Name to be typed]

Accounting officer

Chair of governors

[Date]

[Date]

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

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

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 [financial memorandum with SFA/funding agreement with EFA] the corporation, through its accounting officer, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and with the college accounts direction 2016 to 2017 issued jointly by SFA and EFA, and which give a true and fair view of the state of affairs of the college and the result for that year.

In preparing the financial statements, the corporation is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation

The corporation is also required to prepare a Members' Report which 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 the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities.

The corporation is responsible for the maintenance and integrity of the college's website; the work carried out by the auditors does not involve consideration of these matters and,

accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from [SFA/EFA] are used only in accordance with the [financial memorandum with SFA/funding agreement with EFA] and any other conditions that may be prescribed from time to time. 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 economical, 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 [SFA/EFA] are not put at risk.

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

[Signed]

[Name to be typed]

Chair of governors

Annex D: Specific accounting and disclosure matters

We draw colleges' attention to a number of specific accounting and disclosure matters that are considered to go beyond the requirements of FRS 102 and SORP 2015.

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 guidance on 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 encourage transparency in college accounts, which should, where appropriate, include plans for student recruitment, cost saving 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.

iv. Remuneration of key management personnel and high-paid staff

(a) Key management personnel

In addition to disclosure requirements set out in SORP 2015, colleges must disclose in the notes to the accounts:

- the number of key management personnel whose emoluments received in the year (gross of any salary sacrifice arrangements and excluding any employer pension costs) fall within each band of £10,000 from a starting point of £nil
- aggregate emoluments received by key management personnel, split by type of emolument, both including and excluding pension contributions
- aggregate emoluments due to key management personnel, but waived

(b) Accounting officer

Colleges must separately disclose the emoluments of the accounting officer, and of the highest-paid member of key management personnel if this is not the accounting officer, both including and excluding pension contributions.

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

(c) Higher-paid staff

Colleges must disclose the number of higher-paid staff whose emoluments received in the year (gross of any salary sacrifice arrangements and excluding any employer pension costs) fall within each band of £10,000 from a starting point of £60,000.

Colleges must include staff who joined or left part way through a year but who would have received emoluments in these bands in a full year.

(d) Definitions for part iv

Emoluments include:

- salary
- fees
- performance-related awards (including other bonuses)
- expense allowances (to the extent that they are chargeable to UK income tax)
- contributions paid under a pension scheme (unless otherwise noted)
- the estimated money value of any other taxable benefits other than cash (in particular company cars, subsidised loans and subsidised accommodation)
- emoluments for any person accepting office
- employee benefits provided by the college itself or on behalf of the college

Emoluments do not include:

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

Colleges must also describe any salary sacrifice arrangements, or if there are no such arrangements a statement to that effect.

v. Compensation for loss of office

Colleges must disclose details of any compensation for loss of office paid or payable to the accounting officer, key management personnel (both past and present) and staff earning in excess of £60,000 per year. Colleges must disclose:

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

Compensation for loss of office includes:

- the estimated money value of benefits other than cash
- compensation in consideration for, or in connection with, retirement

- any top-up or enhancement to the pension scheme

vi. Severance payments

Colleges must disclose:

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

vii. Transactions with governors/trustees

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

- be satisfied that there is no remunerative element
- If a remunerative element exists, gain express permission from the Charity Commission

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

viii. Accounting for government grants

In addition to disclosure requirements set out in SORP 2015, 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
- the income recognised in any period related to government grants 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 related to capital and revenue grants.

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