

# SFC Guidance

## Further Education Colleges: Financial statements and returns 2015-16

Issue date: 7 December 2016

Summary: This document provides guidance on the completion of the financial statements return spreadsheet for 2015-16.

FAO: Principals and directors of Scotland's colleges and Board Secretaries

Further information:

**Contact:** Steve Keightley  
**Job title:** Financial Analyst  
**Department:** Learning, Governance and Sustainability  
**Tel:** 0131 313 6587  
**Email:** [skeightley@sfc.ac.uk](mailto:skeightley@sfc.ac.uk)

## Further Education Colleges: Financial statements and returns 2015-16

### Financial statements review 2015-16 guidance

1. As in previous years, and reflecting the requirements of the *Financial memorandum*<sup>1</sup>, please send us copies of the following (unbound if possible) no later than **31 December 2016**:
  - A signed copy of the audited financial statements (if these are not yet ready, please provide a copy of the draft accounts and let us know why there has been a delay).
  - Full final management letter from your external auditors.
  - Paper to the finance committee which accompanied the financial statements.
  - Subsidiary accounts where applicable.
  - Internal auditor's full final annual report.
  - Audit committee annual report.
  - A hard copy of the spreadsheet, signed by the Principal.
  - An electronic copy of the spreadsheet to - [GMAP-returns@sfc.ac.uk](mailto:GMAP-returns@sfc.ac.uk)
2. The returns should be sent to Anne White, Administrative Officer, Scottish Funding Council, Apex 2, 97 Haymarket Terrace, EH12 5HD.

### Financial statements spreadsheet

3. Please enter explanations for any significant variances in the columns provided. Providing comprehensive reasons for larger variances in the spreadsheet should reduce the number of questions we have after submission. For non-UHI incorporated colleges, the variance percentage calculations in the income and expenditure sheets have been adjusted to take account of the differing accounting periods in 2014-15 and 2015-16. Please use the explanations column to draw attention to anything you feel it would be useful for SFC to know.

---

<sup>1</sup> [http://www.sfc.ac.uk/guidance/GovernanceGuidance/FinancialMemorandum/financial\\_memorandum.aspx](http://www.sfc.ac.uk/guidance/GovernanceGuidance/FinancialMemorandum/financial_memorandum.aspx)

4. When we have reviewed your spreadsheet, we will consider if there are any further issues we need to raise with you before concluding our consideration of your financial statements. A blank copy of the spreadsheet format is also on our website<sup>2</sup>.

### **Comparative figures**

5. A new Statement of Recommended Practice (SORP) for Further and Higher education was issued in March 2014 and is effective for accounting periods beginning on or after 1 January 2015. The new SORP reflects the changes to UK Generally Accepted Accounting Practice following the issue of FRS100, 101 and 102. A copy of the SORP and supporting materials can be found on the BUFDG website (<http://www.bufdg.ac.uk/sorp>). One effect of this change is that the comparative figures for the period to 31 July 2015 must be restated and so will differ in some respects to those shown in the 2014-15 return. For this reason the 2014-15 comparatives columns within the spreadsheet have not been prepopulated by SFC. For non-UHI incorporated colleges preparing financial statements for the year ended 31 July 2016, the comparatives for 2014-15 should cover the sixteen month period ending 31 July 2015. In addition, the Financial Forecast Returns (FFR) were prepared under the provisions of the previous SORP and, for this reason, no details of the FFR have been included within the spreadsheet return.

### **Completion of the spreadsheet**

#### ***Which figures does the institution need to add?***

6. All blue boxes and the sheets 'Detail of Borrowing' (if your institution currently has borrowing) 'Net Depreciation', should be completed. If the figure for an item is zero, please input a "0" and don't simply leave the box blank. The net depreciation sheet is not required for non-incorporated colleges.

#### ***Spreadsheet order***

7. There are nine sheets in the spreadsheet that have boxes to be completed. We suggest that the order of completion is:
  - (i) Income
  - (ii) Expenditure
  - (iii) Statement of Comprehensive Income and Expenditure(SoCIE)
  - (iv) Consolidated Statement of Changes in Reserves
  - (v) Balance Sheet

---

<sup>2</sup> Go the 'Financial statements 2015-16' section of <http://www.sfc.ac.uk/guidance/GovernanceGuidance/FinancialSustainability/FinancialSustainabilityGuidance.aspx>

- (vi) Net Depreciation
- (vii) Additional info **(please complete all applicable sections)**
- (viii) Commentary
- (ix) Declaration

8. Please note that only whole numbers can be input into the spreadsheet. **Please do not link the spreadsheet to another document.**

***What explanation is the institution expected to provide?***

9. If the movement in an item is of a significant amount, please provide details of the reason for the variance in the explanation column.
10. Explanations which are genuinely insightful, giving clarity about the cause of a variance, are more useful to us as we analyse your accounts. We hope that by receiving meaningful explanations at this stage the number of queries arising from our review of the spreadsheet and accounts should be small.

***Commentary sheet***

11. A commentary sheet is provided for institutions that wish to bring to our attention any events or circumstances that had a significant impact on the institution's performance during the year.
12. Your commentary should include a description of how the general economic environment has impacted on the financial performance of the institution.
13. It is particularly important that the commentary includes an explanation of the impact on the financial statements arising from the adoption of the new FRS 102-based FE/HE SORP. This is important to enable interpretation of the financial statements and to understand the underlying operating position of the college and the comparison with prior years. The commentary should refer, inter alia, to the following:
- Key accounting policy changes.
  - Impact of restatement of prior years.
  - Explanation of year on year variances.
  - Description of any material items.
  - Underlying financial position.

**Further information**

14. If you have any questions about the guidance or the completion of the spreadsheet, please contact the relevant Financial Analyst for your institution. A list of the Financial Analysts and their portfolios of institutions is available on the [SFC website](#).