Education & Skills Funding Agency

College accounts direction 2019 to 2020 (Version 2)

Financial reporting requirements for sixth-form and further education colleges

December 2020

Contents

Summary

The College Accounts Direction 2019 to 2020 sets out Education and Skills Funding Agency's (ESFA's) financial reporting requirements for sixth-form and further education corporations for their financial year ending 31 July 2020.

We publish the accounts direction on behalf of the Secretary of State for Education, in their role as principal regulator of corporations as exempt charities. Compliance with this accounts direction is a requirement in corporations' funding agreements with ESFA.

Designated institutions

We use the term corporation to refer to sixth-form and further education corporations, established under the Further and Higher Education Act 1992, where members of the corporation form the governing body. Requirements in this guidance apply equally to institutions designated under §28 of the same Act as being in the further education sector, to the extent permitted by their legal status and underlying legislation.

Validity

We plan to update this guidance annually. This version applies to all financial reporting periods commencing on or after 1 August 2019. 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 the above bodies':

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

This document does not apply to specialist post-16 institutions, non-maintained special schools or independent training providers. Academy trusts with post-16 provision should refer to the academies accounts direction. Higher education institutions that are part-funded by the ESFA will be deemed to meet the requirements of this accounts direction if they comply with the extant accounts direction issued by the Office for Students (OfS).

This document does not apply to Institutes of Technology operating in the relevant accounting period, but any college corporations that are the lead provider in relation to an Institute of Technology must consolidate the financial records of that Institute within the corporation's accounts to the extent required by the statement of recommended practice: accounting for further and higher education 2019 edition (FE/HE SORP 2019) if relevant.

What has changed in the 2020 editions?

Changes in the May 2020 edition included:

- explaining that the finance record would be replaced by the Integrated Financial Model for Colleges for colleges to submit to ESFA, together with their audited accounts and other financial documents
- clarifying that corporations must follow the March 2018 revised edition of FRS 102 and explaining that they may, but are not obliged to, adopt early the further amendments to FRS 102 published in May 2019 (para. 14)
- clarifying that corporations must follow the 2019 edition of the FE and HE SORP (para. 15)
- explaining that corporations that registered with the OfS before 1 August 2019 should also take into account the requirements of the OfS' accounts direction for the year 2019 to 2020 and make any further relevant additional disclosures required by it (paras. 18 and 19).
- highlighting that corporations should have regard to the 2018 edition of the UK Corporate Governance Code when preparing their statement of corporate governance and internal control (Annex A)
- notification of some changes to the statement of corporate governance and internal control concerning periodicity and audit committee reporting (Annex A)
- moving the board statement on going concern from the statement of corporate governance and internal control to the annual report of the corporation (para. 20 and Annex C)
- clarification of the requirement to disclose average staff numbers and costs (Annex D)
- removal of the requirement to disclose emoluments in relation to higher-paid staff who joined or left part-way through the year, who would otherwise have received emoluments of at least £60,000 if paid for a full year and clarification in relation to the disclosure for higher paid part time staff (Annex D)
- requiring some further detail on the breakdown of the remuneration of key management personnel and higher-paid staff (Annex D)
- notification of a new reporting obligation in respect of energy and carbon reporting (Annex D)
- the inclusion of an annex detailing OfS' additional disclosure requirements (Annex E)
- provision of several additional hyperlinks to further guidance

Changes in the December 2020 edition include:

- confirmation that the deadline for submission of financial statements for the year to 31 July 2020 has been extended to 31 January 2021 (para.1)
- explaining that an updated version of the finance record has been introduced for colleges to complete and submit to ESFA with their audited accounts, rather than the Integrated Financial Model for Colleges (as indicated in May 2020) (para.11)
- explaining that ESFA's July 2020 Supplementary Bulletin on financial reporting matters arising from the COVID-19 pandemic has the same status as the College Accounts Direction and sets out various matters which may impact on a corporation's financial statements for the year 2019 to 2020 , including both narrative and numerical disclosures (Annex D)

Clarification of terms

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

- must – means a funding agreement condition or requirement
- should – identifies minimum good practice for which there is no absolute requirement, but which corporations should apply unless an alternative 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), which also produces a set of model accounts that show how an FE or sixth form college could apply the requirements of the college accounts direction and of the underpinning financial reporting framework. Corporations and their auditors can also ask the ESFA questions via an on-line enquiry form.

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 the ESFA.

Part 1: Submission requirements

Submission of documents

1. The deadline for corporations to submit their financial statements to ESFA is normally 31 December. However, for the year ending 31 July 2020 the deadline has been extended to 31 January 2021. Corporations must submit the following documents to ESFA by 31 January 2021:

- audited annual report and financial statements (the accounts) including the reporting accountant's report on regularity (a scanned, signed copy)
- external auditor's management letter, including the corporation's response
- annual report of the corporation's audit committee
- audited accounts of all subsidiary companies (if any)
- a completed and approved new finance record covering the 2 years 2019 to 2020 and 2020 to 2021

2. The above documents should be submitted to the ESFA via the DfE/ESFA Data Collection Portal. There is no requirement to submit:

- hard copies of documents to the ESFA
- documents by email or in hard copy form to the OfS – the ESFA will share information with the OfS to facilitate their conditions of registration compliance monitoring

3. We take late submission of financial information very seriously and corporations that miss key deadlines risk ESFA intervention. It is important corporations inform the ESFA at the earliest opportunity, if the deadline of 31 January may be missed.

Extended and short period accounts

4. Corporations can only produce extended period final accounts if:

- this does not contravene their articles of government
- the receiving corporation can meet the 31 January 2021 deadline, and
- the ESFA's prior approval has been obtained

5. Corporations producing either extended period final accounts beyond 31 July 2020, or short period final accounts ending prior to 31 July 2020, must meet the requirements and timescales set out above.

6. In respect of business combinations, the chair and accounting officer of the receiving corporation are responsible for signing, and submitting to the ESFA, the audited accounts of a dissolving corporation, by 31 January 2021.

Approval of documents

7. Financial statements 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 corporation (usually chair of governors)
Statement of corporate governance and internal control (Annex A)	Accounting officer and chair of governors
Statement of regularity, propriety and compliance (Annex B)	
Statement of responsibilities of the members of the corporation (Annex C)	Chair of governors

8. 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.

Publishing accounts

9. Corporations must publish their audited accounts in an easily accessible location on their website. 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 28 February 2021. Corporations must also retain at least two years of accounts on their website. As charities, corporations must also provide their accounts to anyone requesting a copy. Corporations that are registered with the OfS should also be mindful of the OfS' publication requirements and timeline.

10. Stakeholders have a right to expect information on the financial performance and results of a corporation to be published on their website. Failure to do so is a breach of the corporation's funding agreement with the ESFA.

Part 2: Finance record

Introduction of updated finance record

11. ESFA has introduced an updated version of the finance record for corporations to complete and submit to ESFA, together with their other financial documents, set out at paragraph 1 above. The new finance record incorporates a financial outturn statement for the year 2019 to 2020 and a budget forecast for the year 2020 to 2021. Further information on the new finance record can be found in Version 3 of the College Financial Planning Handbook for the year 2019 to 2020. Details of subsequent financial returns relating to the year 2020 to 2021, required by corporations will be published in the College Financial Planning Handbook for the year 2020 to 2021.

Benchmarking

12. The ESFA will use the data for 2019 to 2020 from the finance record to support the financial benchmarking tool for colleges. The tool allows corporations to compare their financial performance with others in the sector. It is important corporations ensure all tabs in the finance record are completed accurately.

Part 3: Basis for preparing accounts

Financial accounting framework

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

- FRS 102 (Financial Reporting Standard 102); and
- FE and HE SORP (Statement of Recommended Practice: Accounting for Further and Higher Education)

14. Corporations are reminded that FRS 102 was reissued in March 2018 for accounting periods commencing from 1 January 2019. Further, that the Financial Reporting Council issued Amendments to FRS 102 in May 2019 for accounting periods commencing from 1 January 2020, but with early adoption permitted providing that all amendments are applied at the same time. The key March 2018 amendments were:

- amendments to the treatment of gift aid payments by subsidiaries to their charitable parents
- measurement of the value of directors' loans
- valuation of investment properties
- recognition of intangible assets separately to goodwill
- description of a basic financial instrument to support the detailed conditions currently specified

15. The extant edition of the FE and HE SORP was issued in October 2018 and also came into effect for accounting periods from 1 January 2019.

Financial Statements

16. Corporations' statements, as required by the FE and HE SORP, must comprise:

- a Statement of Principal Accounting Policies and Estimation Techniques
- a Statement of Comprehensive Income presenting the financial performance during the reporting period of the corporation, and a Statement of Comprehensive Income of the consolidated group, if such a group exists
- a Statement of Changes in Reserves of the Corporation and a Statement of Changes in Reserves of the Consolidated Group, if such a group exists

- a Statement of Financial Position presenting the financial position of the corporation, and a Statement of Financial Position of the consolidated group, if such a group exists, at the end of the reporting period
- a Statement of Cash Flows of the institution, and a Statement of Cash Flows of the consolidated group, if such a group exists
- notes to the financial statements

Related reports and statements

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

- a Strategic Report (which may also be called a treasurer's report, members' report, directors' report or report of the governing body or trustees' annual report)
- a Statement of Corporate Governance and Internal Control
- a Statement of Responsibilities of the Governing Body (if not included in the statement of corporate governance) and
- an Independent Auditor's Report

Corporations that registered with the Office for Students before 1 August 2019

18. Corporations that registered with the OfS at any point in the year to 31 July 2019 are subject to the OfS regulatory framework, which came into effect fully from 1 August 2019. Condition E3 of the OfS' conditions of registration requires that providers that registered with the OfS before 1 August 2019 comply with the OfS' accounts direction for the year 2019 to 2020. Although the ESFA and the OfS have cooperated to harmonise their accounting and disclosure requirements, there remain some areas of divergence. There are some areas where disclosures are required to differing levels of detail based on each organisation's requirements and the regulatory context. These are set out at Annex E. However, where disclosure requirements overlap, disclosure should be made only once for the purposes of both organisations.

Corporations that did not register with the Office for Students before 1 August 2019

Corporations that did not register with the OfS before 1 August 2019, or at all, are not obliged to follow the OfS' accounts direction for the year 2019 to 2020 and may prepare their accounts on the basis of FRS 102, the FE and HE SORP and the requirements of this accounts direction alone.

Other considerations

19. Corporations must also:

- include the statements set out in Annex A, Annex B and Annex C
- follow the accounting and disclosure requirements set out in Annex D
- adopt an accounting reference date of 31 July
- provide in their annual report an assessment of whether the corporation is a going concern, including any supporting assumptions, qualifications and mitigating actions, as appropriate (which must be consistent with other disclosures in the accounts and auditor's report)

20. Assurance and audit arrangements are set out in the ESFA's Post-16 Audit Code of Practice.

Annex A: Statement of corporate governance and internal control

Good corporate governance is fundamental to any effective organisation and is the hallmark of a well-managed entity, and for corporations it demonstrates they are conducting business in the best interests of their students and funders. All corporations must comply with at least one of the following governance codes:

- Code of Good Governance for English Colleges (developed by Association of Colleges)
- Charity Governance Code (endorsed by the Charity Commission)
- The UK Corporate Governance Code 2018, which was reissued by the Financial Reporting Council in July 2018 for accounting periods from 1 January 2019. Corporations that adopt this code are not expected to comply with the requirements that are not relevant to FE and sixth-form colleges. However, they should have due regard to the principles and guidance insofar as they apply to the further education and charity sectors

Corporations must adopt a governance code that best reflects their legal structure, operations and stakeholders.

Corporations must include a statement of corporate governance and internal control within their annual report and accounts, covering the beginning of the financial period to the date of the signing of the accounts for that financial period, which must include:

- declaration of compliance with their adopted governance code with explanations for any departures, or
- if not adopted, a statement to the effect of, ‘whilst not having adopted the UK Corporate Governance Code 2018 the corporation has due regard to its principles and guidance’
- details of those who served as members of the corporation during the year 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 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 § 5(3)(c) of Part 2 of Schedule 4 of the Further and Higher Education Act 1992)
    - contractual responsibilities under its funding agreements and contracts with ESFA
- the corporation's performance, including an assessment of its own effectiveness

The statement of governance and internal control must include 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. The statement of governance and internal control should cover the financial period, as well as any matters up to and including the date the accounts are approved.

Corporations that were registered with the OfS before 1 August 2019 and are therefore subject to the OfS' accounts direction for the year 2019 to 2020 should consider any additional elements required in the statement of corporate governance and internal control set out in the OfS' accounts direction. These elements are summarised at Annex E.

Annex B: Statement of regularity, propriety and compliance

Corporations are in receipt of significant public funds and as part of their stewardship role must be able to assure the ESFA, 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.

Corporations that registered with the OfS before 1 August 2019 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. These additional elements are set out at Annex E.

The statement must be prepared in the following format:

Statement of regularity, propriety and compliance

The corporation has considered its responsibility to notify the ESFA of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the corporation's grant funding agreements and contracts with the ESFA. As part of our consideration we have had due regard to the requirements of grant funding agreements and contracts with the ESFA.

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 corporation, or material non-compliance with the terms and conditions of funding, under the corporation's grant funding agreements and contracts with the ESFA, or any other public funder.

[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 the ESFA.

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

- [instances to be raised]

[Signed]

[Name to be typed]

Accounting officer

[Date]

[Signed]

[Name to be typed]

Chair of governors

[Date]

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

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

Corporations registered with the OfS before 1 August 2019 must also comply with the additional requirements set out in the OfS accounts direction with effect from the date of registration. These additional elements are summarised at Annex E.

Statement of responsibilities of the members of the corporation

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

Within the terms and conditions of the corporation's grant funding agreements and contracts with ESFA ***[delete if necessary -** and any other relevant funding bodies**]***, the corporation – through its accounting officer – is required to prepare financial statements and an operating and financial review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which gives a true and fair view of the state of affairs of the corporation and surplus/deficit of income over expenditure for that period. In preparing the financial statements, the corporation is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess whether the corporation is a going concern, noting the key supporting assumptions, qualifications or mitigating actions, as appropriate (which must be consistent with other disclosures in the accounts and auditor's report)
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the corporation will continue in operation

The corporation is also required to prepare a Members' Report that describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the corporation.

The corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the corporation and which enable it to ensure that the financial statements are prepared in accordance with relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities.

The corporation is responsible for the maintenance and integrity of its website(s); the work carried out by auditors does not involve consideration of these matters and, accordingly, auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the ESFA, and any other public funds, are used only in accordance with the ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time by the ESFA, or any other public funder. Members of the corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the corporation are responsible for securing economic, efficient and effective management of the corporation's resources and expenditure so that the benefits that should be derived from the application of public funds from the ESFA and other public bodies are not put at risk.

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

[Signed]

[Name to be typed]

Chair of governors

Annex D: Specific accounting and disclosure matters

We draw corporations' attention to several specific accounting and disclosure matters that are considered to go beyond the requirements of FRS 102 and the FE & HE SORP.

Corporations receive significant investment from public funds and need to demonstrate to stakeholders that decisions made on executive pay are evidence-based, proportionate and represent value for money. As a matter of policy, the ESFA requires increased transparency around executive pay to support accountability, and to help maintain public confidence and trust in executive pay. Some of these disclosures also reflect the OfS' accounts direction.

We encourage corporations to make comprehensive disclosures, and to consider what other information enhances transparency and understandability. For example, corporations could consider providing stakeholders with more meaningful information to help them understand pay structures and movements, such as

- remuneration paid or payable in the year, alongside full-time equivalent information
- whether they have adopted the AoC's Colleges Senior Staff Remuneration Code or, for corporations that fall within scope of the OfS' accounts direction, The Higher Education Senior Staff Remuneration Code issued by the Committee of University Chairs (CUC), to the extent to which it applies

Corporations must either adopt one of the codes or explain why they have not done so. This means that corporations must either state that they have followed the minimum requirements of the relevant code or provide meaningful explanations for non-compliance and how their alternative arrangements meet the principles of transparency, accountability, proportionality, understandability, value for money and the extent to which remuneration for senior people is evidence based.

i. Legal status

The corporation must include details of its charitable status.

ii. Public benefit

The corporation must provide a statement that it has had due regard for Charity Commission's (CC's) guidance 'charitable purposes and public benefit'. It must also provide a report on how the corporation has delivered its charitable purposes for the public benefit.

iii. Plans for future periods / reserves policy

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

We also encourage corporations to review their reserves policy and the level of reserves held, setting out, where appropriate, how these align with strategic plans and to CC's guidance 'charity reserves: building resilience'.

iv. Staff numbers and costs

Corporations must disclose in the notes to the accounts the average staff numbers employed by the corporation in the year, categorised by role. This disclosure is in line with the Companies Act 2006 section 411. The figures must be the average headcount for each category, calculated on a monthly basis.

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

- wages and salaries paid or payable to staff members,
- social security costs incurred by the corporation on their behalf, and
- pension costs

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

(a) Key management personnel

In addition to disclosure requirements set out in the relevant FE and HE SORP, corporations 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) that fall within each band of £5,000 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
- justification for the total emoluments linked to value and performance delivered, alongside an explanation of the processes adopted for judging performance and total emoluments, including benchmarking or other means of comparison to the broader market

Where previous key management personnel continue to receive emoluments in an employed or consultancy role, such as in an advisory or sabbatical role, this must be disclosed, with an explanation. For the avoidance of doubt, where in exceptional circumstances, a senior leader is appointed on a short term basis and is not directly employed by the corporation itself, their emoluments must also be disclosed.

(b) Accounting officer

Corporations must separately disclose emoluments of the accounting officer (and of the highest-paid member of key management personnel in the unlikely event this is not the accounting officer), both including and excluding pension contributions. Corporations must breakdown this disclosure by emolument type (see (e) below) in their accounts.

A justification for the total emoluments of the accounting officer must be disclosed, linked to value and performance delivered, alongside an explanation of the processes adopted for judging performance and total emoluments, including benchmarking or other means of comparison to the broader market.

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

Where a previous accounting officer continues to receive emoluments in an employed or consultancy role, such as in an advisory or sabbatical role, this must be disclosed with an explanation.

(c) Pay multiple

Corporations must disclose the relationship between the accounting officer's emoluments (or those of the highest-paid member of key management personnel, if this is not the accounting officer) and that of all other employees as a pay multiple, expressed as follows:

- accounting officer's basic salary divided by the median pay of all other corporation employees (all on a full-time equivalent basis); and
- accounting officer's total emoluments divided by the median pay of all other corporation employees (all on a full-time equivalent basis)

The corporation must briefly explain the basis of their methodology and any exceptions applied, such as agency workers.

(d) Higher-paid staff

Corporations must disclose the number of higher-paid staff whose emoluments received in the year (excluding any employer pension costs) fall within each band of £5,000 from a starting point of £60,000. If a part-time member of staff received less than £60,000 in the year but would have received at least £60,000 on a full-time basis, this should be set out as a narrative disclosure within the note.

(e) Definitions for part iv

Emolument types include:

- basic salary
- fees
- performance-related pay and other bonuses, including any deferred payment arrangements and separate disclosure of any amounts waived

- expense allowances (to the extent that they are chargeable to UK income tax)
- pension contributions
- payments in lieu of pension contributions
- any sums paid under any pension scheme in relation to employment with the corporation
- monetary value of any taxable benefits other than cash (for example, company cars, subsidised loans and accommodation)
- employee benefits provided by, or on behalf of, the corporation
- any other type of emolument and cost to the corporation of providing each type, for example, loss of benefits, ex-gratia, consultancy, agency payments, accepting office ('golden handshake'), relocation costs and dividends or 'off payroll'
- monetary value of any non-taxable benefits available only to key management personnel or higher-paid staff
- any of the above provided by any subsidiaries, joint ventures or other related entities

Emoluments do not include:

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

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

vi. Compensation for loss of office

Corporations must disclose details of any compensation for loss of office, loss of any other office connected with corporation affairs and/or connected with the affairs of a parent or subsidiary undertaking of the corporation; where paid or payable to the accounting officer, key management personnel (both past and present) and staff earning at least £60,000 per year. Corporations must disclose:

- the aggregate value of any compensation for loss of office paid or payable to these staff (excluding payments in lieu of notice)
- the number of people to whom this was paid or payable
- 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

vii. Severance payments

Corporations 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

Corporations registered with the OfS should have regard to any additional disclosures relating to compensation for loss of office required by the OfS beyond those for the accounting officer, key management personnel and staff earning at least £60,000 per year.

viii. 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, or
- gain express permission from CC if a remunerative element exists, and
- have due regard to CC's guidance 'trustee expenses and payments'

Corporations 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.

ix. Accounting for government grants

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

- deferred income relating to government grants as separate items, distinct from other accruals and deferred income, split between under and over one year
- the income recognised in any period related to government grants from the ESFA and other government bodies respectively as separate items in an analysis of income from funding body grants

In each case, corporations must distinguish deferred income relating to government grants between amounts attributable to capital and revenue grants. Corporations, registered with the OfS, should also have regard to the additional disclosures relating to grant and fee income set out in the OfS accounts direction.

x. Trade Union (Facility Time Publication Requirements) Regulations 2017

It is the responsibility of each corporation to comply with the requirements of this legislation as appropriate, and to disclose relevant information within their audited financial statements.

xi. The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ('the 2018 regulations') implement the government's policy on streamlined energy and carbon reporting and came into force with effect from 1 April 2019 for accounting periods starting on or after that date. The 2018 regulations apply to certain UK companies, but as a matter of public policy corporations are encouraged to make an equivalent disclosure in respect of the accounting period 2019 to 2020 on their websites. Corporations may refer to the ICAEW publication Environmental Issues and UK Annual Reporting for further guidance on reporting in respect of environmental issues. The ESFA will develop a model disclosure note which will be sector-relevant and which could be used to inform the preparation of a note to the accounts or on the corporation's website. This will be released later.

xii. Disclosures arising from the financial impact of the COVID-19 pandemic

ESFA published a Supplementary Bulletin to the College Accounts Direction and the Post-16 Audit Code of Practice in July 2020 which has the same status as those documents. The bulletin aims to provide guidance to principals/accounting officers, governors as charity trustees and their external auditors / reporting accountants on matters arising from the COVID-19 pandemic which may impact on the corporation's accounts for the year ending 31 July 2020, including how the impact of the pandemic might be set out in the Trustees' Report. It includes some additional requirements for corporations in respect of COVID-19 funding and how related financial support must be disclosed. It is a requirement of this College Accounts Direction that corporations comply with these additional terms in the Supplementary Bulletin.

Annex E: Additional reporting and disclosure requirements arising from the accounts direction issued by the Office for Students

Colleges registered with the Office for Students fall within the scope of the OfS accounts direction and so will be obliged to make some reports or disclosures that go beyond those required by the ESFA, as summarised below (the OfS accounts direction should be referred to for further detail):

Requirement	Reference	Detail	Comment
Senior staff pay	Paras 11 to 14	The provider is required to "have regard to" the "Higher Education Senior Staff Remuneration Code" published by the Committee of University Chairs. The provider must disclose the number of staff with a full-time equivalent basic salary of over £100k, broken down into bands of £5k.	The ESFA requires colleges to disclose whether they have adopted the AoC's Governor's Council's "The Colleges Senior Staff Remuneration Code", so the ESFA requirement goes beyond what the OfS requires in terms of disclosure. However, compliance with either code is not mandatory, so the minimal requirements of both the OfS and the ESFA will be met if colleges have regard to both codes and then disclose whether they have adopted either. The ESFA requires disclosure of the number of staff with a full-time equivalent basic salary of over £60k, broken down into bands of £5k. The ESFA therefore sets the threshold at a lower level and focuses on total emoluments rather than basic salary, thereby including in the threshold payments that go beyond basic salary such as bonus payments. Compliance with the ESFA requirements will satisfy the OfS requirements.

Management and governance arrangements	Paras. 19 to 29	The OfS requires disclosures about management and governance arrangements. There may be separate statements on corporate governance and internal control respectively, though these may be combined.	The ESFA requires a combined statement on corporate governance and internal control, but the OfS does mandate a considerable additional amount of detail, particularly regarding the setting out of any significant internal control weaknesses or failures that have arisen during the financial year or after the year end, but before the financial statements are signed. Providers complying with the OfS requirements will meet the ESFA requirements.
Details of fee and grant income	Paras 32 to 34	All registered providers must include a note to their audited financial statements that provides detail on sources of grant and fee income in a specific tabulated form. This would include both OfS and ESFA funding but also research grants and student fees, as well as other sources.	The ESFA requires the disclosure of government grants and other grants, but the requirement does not go beyond what would be required under the SORP. The OfS' detailed requirements reflect the diversity of funding which HEIs often receive from multiple sources. Providers complying with the OfS requirements will meet the ESFA requirements.
Access and participation expenditure	Paras 35 to 40	Where a provider has an access and participation plan that has been approved by the OfS' director of fair access and participation, the provider must include a note in its audited financial statements that sets out its expenditure for each of a number of categories.	The inclusion of this disclosure would only apply if the provider has signed up such a plan with the OfS.

Education & Skills Funding Agency

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