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27 April 2023

Dear [Accountable Officer]

Deadlines and requirements for Annual Financial Return 2023

I am writing with information about the submission of your Annual Financial Return 2023 (AFR23), which relates to your provider's financial year ending in 2023.

In December 2022¹ we let you know that we were changing how we would tell you about our requirements for the AFR23 and that we would reduce the number of communications we send to you about the return. We have also decided to introduce greater flexibility for you to decide how you sign off your AFR23 – this is in response to requests from providers for more flexibility in this area. We have previously required the financial forecast and commentary to be signed off by your governing body but this year we are happy to accept sign-off from you as the accountable officer. We do, however, expect you to ensure that your governing body remains properly engaged with these important financial developments by considering the information you expect to submit to us.

This letter provides further information about our requirements and the specific deadlines that apply to your provider.

Our requirements are set out in the Notice, issued under general ongoing condition of registration F3, attached as an annex to this letter. It is important that you follow these requirements and submit accurate information, as a failure to do so could lead to enforcement action.

¹ See www.officeforstudents.org.uk/publications/deadlines-and-requirements-for-annual-financial-return-2023/.

Deadlines

There are three deadlines by which you need to submit information through the OfS portal:

- The first deadline requires you to submit your initial AFR23 workbook four months after your financial year end.
- The second deadline requires you to submit your finalised AFR23 workbook, audited financial statements and all other required Annual Financial Return files five months after your financial year end.
- The third deadline for sign-off of your AFR23 is five calendar months and two weeks after the end of your financial year end.

In addition to submission of your AFR23, our Regulatory advice 9: Accounts direction² requires you to publish audited financial statements, at the latest, five months after the financial year ending in 2023.

Verification process

The verification process for your AFR23 runs in parallel to the three deadlines set out above. We expect your finance colleagues to engage with our data verification process which will begin after the first deadline. We will highlight the checks we need you to complete in the 'verification queries' file, which will be generated automatically when you submit an initial AFR23 workbook file to the OfS portal. We may need you to submit a further version of your AFR23 workbook which resolves any issues we identify during the verification of your first submission.

You will not be able to sign off your return until all verification queries are resolved. The verification process is iterative and you should respond to verification queries as soon as possible to ensure you can meet the final sign-off deadline. Further information about the verification process can be found in Appendix 1 of the Annual Financial Return 2023 submission process guidance.³

Guidance documents

In preparing documents for submission for the AFR23, you will need to refer to and comply with:

- the OfS regulatory framework ⁴
- Regulatory advice 14: Guidance for providers for the Annual Financial Return⁵

² See www.officeforstudents.org.uk/publications/regulatory-advice-9-accounts-direction-accounting-periods-beginning-on-or-after-1-august-2019/.

³ See www.officeforstudents.org.uk/publications/regulatory-advice-14-guidance-for-annual-financial-returns/.

⁴ See www.officeforstudents.org.uk/publications/securing-student-success-regulatory-framework-for-higher-education-in-england/.

⁵ See www.officeforstudents.org.uk/publications/regulatory-advice-14-guidance-for-annual-financial-returns/.

- Regulatory advice 9: Accounts direction.⁶

Regulatory advice 14: Guidance for providers for the Annual Financial Return also contains technical guidance and information about data verification arrangements, which we expect you to use when preparing your submission.

Please contact Abi Coveney at regulation@officeforstudents.org.uk or on 0117 931 7305 if you have any questions about this letter, the attached Notice or any of our guidance documents.

Yours sincerely

David Smy
Director of Monitoring and Intervention

⁶ See www.officeforstudents.org.uk/publications/regulatory-advice-9-accounts-direction-accounting-periods-beginning-on-or-after-1-august-2019/.

Annex A: Information requirements

To: The governing body, xxxxxxxx (the “Provider”)

Notice under general ongoing condition of registration F3: Provision of information to the Office for Students (‘OfS’)

Whereas:

(A) The Provider was registered by the OfS in accordance with section 3 of the Higher Education and Research Act 2017 (HERA) on the Register of English Higher Education Providers.

(B) For the purpose of assisting the OfS in performing any function, or exercising any power, conferred under any legislation, the OfS has the power under general ongoing condition F3(i) (and by virtue of section 8(1)(b) of HERA) to compel the governing body of a registered English higher education provider to provide the OfS, or a person nominated by the OfS, with such information as the OfS specifies at the time manner and form specified.

Therefore:

Pursuant to general ongoing condition of registration F3, the Provider is required to provide the Specified Information at the Specified Time and in the Specified Manner.

Definitions:

“Specified Information” means the information listed in the ‘Specified Information’ column at each row of the table at paragraph 2 of Schedule 1 to this Notice, in the required format, where specified in Schedule 1 of this Notice, which sets out the requirements for the provision of information to the OfS for the Annual Financial Return 2023.

“Specified Manner” means the Specified Information must:

- i. be provided to the OfS via the OfS Portal.
- ii. comply fully with guidance in Regulatory advice 14 and Regulatory advice 9 issued by the OfS for each data return requirement.
- iii. in respect of the Specified Information at each row of the table at paragraph 1 of Schedule 1 of this Notice, be signed off by the individual or body as specified for each row in the column ‘sign-off required by’ in that table.

“Specified Time” means the deadline for provision of the Specified Information as set out in the column ‘deadline’ of each row of the table at paragraph 1 of Schedule 1 of this Notice, which corresponds to the date in the column ‘Specified Time’ in the same row of that table.

Signed on behalf of the OfS and authorised for that purpose:

David Smy

Director of Monitoring and Intervention

Date: 27 April 2023

Schedule 1: Annual Financial Return 2023

1. The Annual Financial Return (AFR) 2023 is the data return that a provider must submit to the OfS about condition D: Financial viability and sustainability, to demonstrate compliance with condition D as an ongoing condition of registration and as set out in the specified information column in the table below.
2. [Provider name] is required to submit the following information by the following deadlines for the financial year ending [Year End]:

| Deadline | Specified time | Specified information | Sign-off required by |
|------------|----------------|--|---|
| Deadline 1 | XXXX | <ul style="list-style-type: none"> Initial Annual Financial Return workbook with no validation errors (Submission 1 AFR workbook) as described in paragraph 3a of this schedule. | Not required |
| Deadline 2 | XXXX | <ul style="list-style-type: none"> Finalised Annual Financial Return workbook (Submission 2 AFR workbook) as described in paragraph 4a of this schedule. Audited and signed financial statements as described in paragraph 4b of this schedule. Financial commentary as described in paragraph 4c of this schedule. Management letter from the provider's external auditor as described in paragraph 4d of this schedule. Business plan (where applicable) as described in paragraph 4e of this schedule. If the provider is relying on financial support from another entity: documents proving that it | <ul style="list-style-type: none"> Financial forecasts and commentary (and business plan where applicable) must be considered by the provider's governing body. The governing body must approve these or delegate approval to the accountable officer prior to submission. Audited financial statements must be approved by the accountable officer, and by the chair of the governing body or one other member appointed by that |

| Deadline | Specified time | Specified information | Sign-off required by |
|------------|----------------|---|--|
| | | is legally obliged to provide that financial support, as described in paragraph 4f of this schedule; and audited financial statements from the legal entity, as described in paragraph 4f of this schedule. | body. Financial statements must also include an audit opinion signed by the external auditor. |
| Deadline 3 | XXXX | <ul style="list-style-type: none"> A completed sign-off form for the provider's Annual Financial Return, as set out in paragraph 5 below. | <ul style="list-style-type: none"> Final sign-off of the return must be completed by the accountable officer. |

Deadline 1

3. The provider is required to submit to the OfS the following information by deadline 1 as part of its Annual Financial Return for the provider's financial year that ends in 2023:

a. Initial completed Annual Financial Return 2023 workbook (Submission 1 AFR workbook), in the template from the OfS.

The provider must submit a completed version of the pre-populated Annual Financial Return 2023 workbook available to download from the OfS portal. An example template workbook is attached in Annex C of this Schedule and detailed guidance explaining how to complete the tables can be found on the webpage for Regulatory Advice 14: Guidance for providers for the Annual Financial Return.⁷

The submission must follow guidance set out in paragraphs 37 – 45 of Regulatory advice 14. The completed workbook must include financial information for:

- The provider's two most recent audited financial years, to be recorded as year one and year two in the workbook
- The provider's current financial year to be recorded as year three in the workbook
- The provider's four subsequent financial years to be recorded as years four to seven in the workbook.

⁷ See www.officeforstudents.org.uk/publications/regulatory-advice-14-guidance-for-annual-financial-returns/.

The workbook must follow the correct technical accounting requirements, according to the convention used in the provider's last audited accounts. This must be either the Financial Reporting Standards (FRS102),⁸ or International Financial Reporting Standards (IFRS).⁹

The figures in the workbook must be consistent with the provider's audited financial statements and agreed forecasts. Where a provider's financial statements are consolidated this must also be reflected in the forecast years. The Annual Financial Return 2023 workbook contains a number of validation checks (errors and warnings) below each table. All validation errors must be resolved before the workbook is submitted.

Deadline 2

4. The provider is required to submit to the OfS the following information by deadline 2 as part of its Annual Financial Return for the provider's financial year that ends in 2023:

a. Finalised completed Annual Financial Return workbook (Submission 2 AFR workbook).

The provider must submit a final version of its completed Annual Financial Return 2023 workbook which resolves any issues raised by the OfS during the verification of the first workbook submission.

The forecasts included in the workbook (defined as years 4 to 7, with year 3 being the current financial year) must relate to both financial forecasts and student number forecasts and must be considered by the provider's governing body before submission. These must be approved by the governing body or delegated for approval by the accountable officer. Any validation checks must be resolved prior to submission (see paragraph 44 of Regulatory advice 14: Guidance for providers for the Annual Financial Return¹⁰ for guidance on data accuracy and validation).

b. Signed audited financial statements that are compliant with the OfS's Regulatory advice 9: Accounts direction.¹¹

In preparing the audited financial statements, the provider must follow the correct technical accounting requirements, according to the convention used in its last audited accounts. This must be either the Financial Reporting Standards (FRS102),¹²

⁸ See [https://www.frc.org.uk/getattachment/0fba8b6a-ff2b-46e2-8c3f-adfc174d300b/FRS-102-\(January-2022\)\(2\).pdf](https://www.frc.org.uk/getattachment/0fba8b6a-ff2b-46e2-8c3f-adfc174d300b/FRS-102-(January-2022)(2).pdf).

⁹ See <https://www.ifrs.org/issued-standards/list-of-standards/>.

¹⁰ See www.officeforstudents.org.uk/publications/regulatory-advice-14-guidance-for-annual-financial-returns/.

¹¹ See www.officeforstudents.org.uk/publications/regulatory-advice-9-accounts-direction-accounting-periods-beginning-on-or-after-1-august-2019/.

¹² See [https://www.frc.org.uk/getattachment/0fba8b6a-ff2b-46e2-8c3f-adfc174d300b/FRS-102-\(January-2022\)\(2\).pdf](https://www.frc.org.uk/getattachment/0fba8b6a-ff2b-46e2-8c3f-adfc174d300b/FRS-102-(January-2022)(2).pdf).

or International Financial Reporting Standards (IFRS).¹³ The financial statements must include all of the following:

- ‘Statement of financial position’ (balance sheet)
- ‘Statement of comprehensive income’ incorporating profit or loss for the period and items of other comprehensive income
- ‘Statement of changes in equity’ or a ‘Statement of income and retained earnings’ or a ‘Statement of changes in reserves’
- ‘Statement of cash flows’
- ‘Statement of principal of accounting policies’
- Notes to the financial statements.

The provider is required to comply with paragraphs 25 to 33 of Regulatory advice 14 when preparing and submitting audited financial statements.

Financial statements must be audited by independent external auditors and must include the external auditor’s report giving an opinion to the provider’s governing body. The external auditor’s report and opinion must cover all components of the audited financial statements and not be limited to a sub-set of the pages included in the audited financial statements. The audited financial statements must be signed by the external auditor and by the provider’s accountable officer and by the chair of the governing body or one other member appointed by that body.

Where the provider has subsidiary companies it must submit consolidated financial statements that combine these entities. For the avoidance of doubt this includes all subsidiaries, whether or not their purpose is related to the provision of higher education.

c. Commentary in the template from the OfS, provided for download from the OfS portal.

The provider must submit financial commentary in the template provided for download from the OfS portal. The provider must complete each field set out in the template. The commentary must be considered by the provider’s governing body before submission. The governing body may choose to delegate approval of the commentary to the accountable officer. A sample template for the financial commentary can be found in Annex D of this schedule.

d. A management letter from the provider’s external auditor.

The provider must submit the external auditor’s management letter, a report issued by the external auditor to those charged with the provider’s governance, which

¹³ See <https://www.ifrs.org/issued-standards/list-of-standards/>.

records audit findings from the audits undertaken on the most recent financial statements which the provider is submitting as part of AFR23, including any significant control deficiencies identified during the audit. The management letter must include a report giving an opinion to the provider's governing body. Requirements in relation to this report are set out in OfS Regulatory advice 9: Accounts direction.¹⁴

The external auditor's report and opinion must cover all components of the audited financial statements and not be limited to a sub-set of the pages included in the audited financial statements.

e. Where applicable: A business plan which sets out the provider's plans for the same period as the financial and student number tables in the AFR23 workbook. This is:

- i. **Required** where the provider has delivered higher education for fewer than three years prior to the submission deadline.
- ii. **Optional** where the provider has delivered higher education for at least three years prior to the submission deadline. The provider may choose to use the business plan as part of its demonstration of how it is ensuring its financial viability and sustainability.

The business plan must include robust and well-evidenced assumptions that underpin the financial forecasts in the financial return workbook. The forecasts must be credible and show:

- the period over which the provider will become financially viable and sustainable and how it will achieve this
- how the provider will manage its finances during the period before it is viable and sustainable (its sources of financial support during this period)
- how the provider will use its resources over this period to deliver a high quality student experience
- the contingency plans the provider has in place should unexpected financial challenges arise during this period.

The business plan may be submitted in any format as long as it includes the information set out above.

¹⁴ See www.officeforstudents.org.uk/publications/regulatory-advice-9-accounts-direction-accounting-periods-beginning-on-or-after-1-august-2019/.

It may be the case that a provider gives a trial balance to its external auditor and the external auditor then places the financial data from the trial balance into a template to produce a provider's financial statements. As long as the Provider, and not its external auditor, prepares the trial balance and approves any changes to the numbers in the financial statements that arise as a result of the external audit, the OfS will consider the external auditor to be independent of the preparation of the Provider's financial statements.

Where submitted, a business plan must be considered by the provider's governing body before the submission. The governing body may choose to delegate approval of the business plan to the accountable officer.

- f. Where applicable: Where a legally-binding obligation of financial support is in place, audited financial statements from the entity giving such support to the provider.**

These must be for the legal entity's most recent financial reporting period. If such a legal entity has a financial year end that is different from the provider's year end, the audited financial statements for that legal entity's most recent financial reporting period must be submitted within five calendar months of the end of the provider's financial reporting period.

If the provider is relying on a legally binding obligation of financial support from another entity for the first time, it must also submit this agreement. Any legally binding obligation of financial support must meet the OfS's requirements set out in paragraphs 403-407 of the regulatory framework.

Deadline 3

- 5. The provider is required to submit to the OfS the following information for deadline 3 as part of its Annual Financial Return for the provider's financial year that ends in 2023:

- a. Sign-off of Annual Financial Return 2023.**

The provider must submit a completed version of the Annual Financial Return 2023 sign-off form in the pre-populated template available for download from the OfS portal. This will be available once all required Annual Financial Return 2023 files have been submitted and the OfS has received responses to all queries raised in the verification process. A generic version of this sign-off form is attached as an Annex. The sign-off form must be signed by the accountable officer confirming the return is accurate.