

Office for
Students



Regulatory advice 14:

Guidance for providers for the Annual Financial Return 2021

Reference OfS 2021.33

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Revision log

| Version | Date | Changes |
|---------|----------|------------------|
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Introduction

1. This regulatory advice sets out guidance about the information that a higher education provider is required to submit as part of its Annual Financial Return 2021 to the Office for Students (OfS).
2. It applies to a provider that is registered with the OfS in either the Approved or Approved (fee cap) category of the OfS Register. However, where a provider is a further education college or a sixth form college under the primary regulation of the Education and Skills Funding Agency (ESFA), it is not required to submit this financial data to the OfS. For such providers, the OfS works closely with the ESFA to ensure that it is able to undertake appropriate monitoring of financial viability and sustainability.
3. The guidance is intended to help providers to understand:
 - a. The information that providers must submit to the OfS about condition D (financial viability and sustainability) to demonstrate compliance with condition D as an ongoing condition of registration.
 - b. Where to find information about what a provider's financial statements must include and other related requirements.
 - c. Where to find the detailed guidance to support providers in completing the financial return workbook and commentary.
 - d. Whether a provider needs to submit any additional information to the OfS about its financial performance or position or both.
 - e. What data will be published by the designated data body, the Higher Education Statistics Agency (HESA).
4. The information about financial performance and position enables the OfS to:
 - a. Assess a provider's financial viability and sustainability and make a judgement about the regulatory risk for that provider.
 - b. Assess the patterns and trends in the financial sustainability of registered providers at an aggregate level. This enables the OfS to fulfil its statutory duty under section 68 of Higher Education and Research Act 2017 (HERA).
 - c. Support evidence-based policy making through provision of OfS advice to government, e.g. Department for Education and HM Treasury.
 - d. Provide data relating to the last complete year and prior year (restated where applicable) to HESA for publication as an official statistic, which supports providers in benchmarking their performance against others.
5. Some of this financial data is also required and used to support the activities of UK Research and Innovation (UKRI) and Research England.

6. In preparing audited financial statements, registered providers must refer to the relevant accounts direction:
 - a. For accounting periods beginning on or after 1 August 2019, this is OfS 2019.41.¹
 - b. Where the OfS publishes a new or updated accounts direction in the future, this will apply for accounting periods beginning after the date specified in that new accounts direction.
7. A newly registered provider will be required to comply with the disclosure requirements in the relevant accounts direction for financial years ending more than 12 months after the date of its first registration with the OfS. All registered providers are required to submit audited financial statements regardless of their date of registration.
8. In preparing the audited financial statements and in completing the financial return workbooks, a provider must refer to the Financial Reporting Standards (FRS102),² or International Financial Reporting Standards (IFRS),³ depending on the convention used in the provider's latest audited accounts, to ensure that it follows the correct technical accounting requirements.
9. This guidance should be read in conjunction with the OfS regulatory framework (OfS 2018.01).⁴
10. A provider is required to submit and sign off its finalised Annual Financial Return 2021 within seven months and two weeks of its financial year end. This is a two-month extension to the normal deadline to allow for any potential implications that the coronavirus pandemic may have on the preparation of financial statements. An initial Annual Financial Return workbook must be submitted within six months of the financial year end so the OfS can carry out data verification before the data is signed off. Exact deadlines will be issued to providers along with the bespoke workbook that the provider needs to complete (this means that the workbook that an individual provider receives may not include every table referenced in this guidance).
11. Any general questions about this regulatory advice can be sent to regulation@officeforstudents.org.uk.
12. Technical queries about the completion or submission of the files required for the Annual Financial Return 2021 can be emailed to financedata@officeforstudents.org.uk.

¹ Available at www.officeforstudents.org.uk/publications/regulatory-advice-9-accounts-direction-guidance-on-preparing-and-publishing-financial-statements-for-accounting-periods-beginning-on-or-after-1-august-2019/.

² See <https://www.frc.org.uk/document-library/accounting-and-reporting-policy/2018/frs-102-frs-applicable-in-the-uk-and-republic-of-i>.

³ See <https://www.ifrs.org/issued-standards/list-of-standards/>.

⁴ See www.officeforstudents.org.uk/advice-and-guidance/regulation/the-regulatory-framework-for-higher-education-in-england/.

What evidence must a provider submit and when?

Summary of evidence

13. Providers must submit the following information via the OfS portal⁵:

| | Applicable to: | Further information from: |
|---|---|---|
| Audited full financial statements relating to the provider's Annual Financial Return for 2021 | Providers in the Approved or Approved (fee cap) category, excluding further education and sixth form colleges. Financial statements must be prepared on the basis set out in the OfS accounts direction. | OfS 2019.41 or subsequent accounts direction |
| Annual Financial Return 2021 workbook, using the template provided by the OfS | Providers in the Approved or Approved (fee cap) category, excluding further education and sixth form colleges. In addition to the financial information included in the latest audited financial statements, a provider is required to return data relating to the current year, and four subsequent years of forecasts. | This guidance document and technical guidance |
| Commentary in relation to the Annual Financial Return 2021 workbook, using the template provided by the OfS | Providers in the Approved or Approved (fee cap) category, excluding further education and sixth form colleges. | See relevant section of technical guidance |
| The management letter from the provider's external auditor* | Providers in the Approved or Approved (fee cap) category, excluding further education and sixth form colleges. | International Standards on Auditing 260 and 265 |
| Business plan | Required in some circumstances (where a provider has a track record but is not able to demonstrate that it is financially viable and sustainable using its audited financial statements). This is optional for other providers. | See paragraph 30 of this guidance document |

⁵ Further guidance on how to submit the information to the OfS portal is available in Appendix 1, at www.officeforstudents.org.uk/publications/guidance-for-providers-for-financial-monitoring-returns.

| | Applicable to: | Further information from: |
|---|---|---|
| Audited financial statements from the legal entity giving a legally binding obligation of financial support | A provider that has a legally binding obligation of financial support in place. | See F3 Notice issued to providers on 31 March 2021 ⁶ |

*External auditor's management letter is a report issued by the external auditor to those charged with governance, which records audit findings, including any significant control deficiencies identified during the audit.

14. For some registered providers, the OfS may have imposed enhanced monitoring requirements or a specific condition of registration in relation to the provider's financial viability or sustainability. In these cases, a provider is likely to need to provide more information than is set out in the table in paragraph 13, or to update information previously submitted to the OfS.

Timing of submissions and action required

15. The final deadline for the Annual Financial Return 2021 is seven months and two weeks after a provider's financial year end in the calendar year 2021. In advance of the final deadline, a provider is required to meet two operational deadlines as set out in the table below. If a provider does not meet these operational deadlines, it may not be able to meet the final deadline.

16. The relevant deadlines for a provider relate directly to the timing of that provider's financial year end.

| Deadline | Description | Time from year end | Requirements |
|-------------------|----------------------|----------------------------|--|
| Deadline 1 | Operational deadline | Six months | Submit initial valid Annual Financial Return 2021 workbook Data verification process begins |
| Deadline 2 | Operational deadline | Seven months | All verification queries have been resolved Submit finalised Annual Financial Return 2021 workbook Submit audited financial statements Submit all other required files for Annual Financial Return 2021 |
| Deadline 3 | Final deadline | Seven months and two weeks | Any additional verification queries have been resolved Return is signed off and sign-off form submitted |

⁶ See <https://www.officeforstudents.org.uk/media/f71f8133-25cb-44c8-98cd-da98d44aace4/f3-and-f4-data-requirements-march-2021-finalforweb.pdf> [PDF].

17. The Annual Financial Return 2021 workbook should initially be submitted within six months of the provider's year end (by Deadline 1) in order for the data to go through the OfS's data verification process. Revisions to the workbook are acceptable up until seven months after the year end (by Deadline 2). It is the responsibility of a provider to ensure the data is accurate and credible.
18. To mitigate the risk of the OfS receiving inaccurate data, the OfS is likely to issue verification queries in relation to the data submitted in the Annual Financial Return 2021, to which a provider must respond. This will be an iterative process and a provider may need to correct its workbook. It is therefore important that a provider responds to verification queries as soon as possible to ensure the verification process concludes before the seven month deadline (Deadline 2). The OfS may also raise additional queries once all other files have been submitted, and these queries must be responded to and resolved by the provider by the final deadline (by Deadline 3).
19. For the Annual Financial Return 2021, within seven months of the provider's year end (by Deadline 2), the following actions must be completed:
 - a. All data verification queries have been responded to by the provider.
 - b. The Annual Financial Return 2021 workbook has been finalised, including forecast information, with validation checks reviewed and resolved (see paragraph 39 and 40 for guidance on data accuracy and validation).
 - c. The remaining information in the table in paragraph 13 has been submitted.
20. A provider's Annual Financial Return financial forecasts and commentary (and business plan, if applicable) must be approved by its governing body before submission.
21. Each provider will be informed of its exact deadlines in advance of the submission period. Adjustments will be made to the submission timeframe where deadlines fall in the Christmas or Easter holiday periods.

Signing off the Annual Financial Return 2021

22. When all of the required actions have been completed, the Annual Financial Return 2021 must be signed off by the provider's accountable officer within seven months and two weeks of the provider's financial year end. The sign-off form will be automatically generated and will be available to download on the OfS portal, along with the final versions of all of the documents submitted by the provider. The accountable officer must sign this form, which should then be uploaded to the OfS portal.
23. The Annual Financial Return 2021 signed off as correct by a provider's accountable officer is treated as the final suite of documents that the OfS will use. Amendments will only be accepted after this point in exceptional circumstances, or where errors make a material difference to the use of the information, and will be required to follow the OfS amendment process.⁷

⁷ See www.officeforstudents.org.uk/data-and-analysis/amendments-to-data/.

Audited financial statements

24. Paragraph 7 of the OfS accounts direction states that a provider is required to comply with the relevant accounts direction for financial years ending more than 12 months after the date of its first registration with the OfS. This means that a provider does not need to comply with the disclosures set out in the accounts direction where its financial year ends less than 12 months after the date of its first registration unless it chooses to do so. However, all registered providers are required to provide audited financial statements as set out in the regulatory framework, regardless of the timing of their first registration.
25. A provider's audited financial statements for each year must be prepared on the basis of the Financial Reporting Standard 102 (FRS 102), or the International Reporting Standards (IFRS), if applicable. Where a provider has subsidiaries, it must prepare consolidated financial statements. 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.
26. Some providers may not need to include, for statutory purposes (company law), all of the components set out above in their financial statements due to their size or legal form. However, a provider's audited financial statements must contain all of the components set out above regardless of whether this is a legal requirement for its business or whether it has an exemption from including certain components (such as cash flow statements) in the accounts that it files with Companies House. This is so that the OfS has a full picture of the provider's financial performance and position and can make a reliable assessment of the provider's financial viability and sustainability.
27. Every registered provider must submit financial statements that have been audited by independent external auditors. By 'independent' the OfS means independent of the provider and independent of the preparer of the accounts and the financial statements. The external auditor must also be listed on the Register of Statutory Auditors. The OfS requires financial statements to be audited by an independent external auditor before submission so that the OfS can have confidence in the information that the provider submits. If a registered provider submits unaudited financial statements in its Annual Financial Return, the OfS will be unable to consider this information and may consider whether the provider has breached any of its ongoing conditions of registration.
28. The external auditor must provide a report giving an opinion to the provider's governing body. Requirements in relation to this report are set out in the relevant OfS accounts direction.

29. It may be the case that a provider gives a trial balance⁸ to its external auditor and the external auditor then places the financial data from the trial balance into a template to produce the 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.
30. The audited financial statements must be signed by the external auditor and by the provider's accountable officer as a requirement of registration and the provider must submit the signed version to the OfS that includes the external auditor's report.
31. 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. This is so that the OfS can have confidence that the external auditor's opinion applies to all of the information and data in the financial statements (as set out in the external auditor's opinion) and that the external auditor has seen the final version of the financial statements that the provider is submitting to the OfS.
32. Where a provider has subsidiaries it must prepare consolidated financial statements. For the avoidance of doubt this includes all subsidiaries, whether or not their purpose is related to the provision of higher education.

Business plan

33. A business plan that sets out a provider's plans for the same period as the financial return workbook:
- a. Must be submitted where a provider has delivered higher education for fewer than three years (track record) prior to the date of its Annual Financial Return 2021.
 - b. May be submitted where a provider has a track record but is not able to demonstrate that it is financially viable and sustainable using its audited financial statements.
34. If a provider submits a business plan, the OfS will consider this alongside the financial return workbook and commentary. 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

⁸ The trial balance is a list of all the closing balances of all of the accounts in your general ledger.

- the contingency plans the provider has in place should unexpected financial challenges arise during this period.

35. A providers can submit a business plan in any format as long as it includes the information set out above.

Annual Financial Return 2021 workbook

36. The workbook requires historic and forecast information about a provider's financial performance and position, along with student number information. This enables the OfS to assess financial viability and sustainability and make a judgement about a provider's financial risks. Providers must complete the workbook in full.

37. A provider must submit historic financial data consistent with its audited financial statements and forecasts to the OfS in the Annual Financial Return 2021 workbook. Where a provider's financial statements are consolidated this should also be reflected in the forecast years.

38. The OfS has published an example template workbook on its website together with detailed guidance explaining how to complete the tables.⁹ The tables collected as part of the Annual Financial Return 2021 workbook are summarised below (see the 'Use and publication of financial data' section). A provider must download its bespoke workbook from the OfS portal and upload the workbook using the portal once completed.

39. The information in the Annual Financial Return 2021 workbook guidance is intended to help providers to understand what they should include in each row of the tables. In completing the workbook, a provider should refer to FRS102 or IFRS, depending on the convention used in its latest audited financial statements, to ensure that it follows the correct and consistent technical accounting requirements.

40. The workbook has been designed to ensure that the OfS can collect data from a diverse range of providers with differing levels of organisational complexity. This means that some elements of the workbook (for example those relating to research income and expenditure) will not be relevant to the activities of some providers, so, where possible, the workbook has been adapted for different types of providers, to show only relevant areas of the return.

Data accuracy and validation

41. The accuracy of submitted data is the responsibility of each provider. The return of inaccurate data may affect the OfS's judgement about a provider's ability to continue to comply with its conditions of registration.

42. A provider must check that it has entered the data into tables correctly to ensure that it is returning accurate data. This should include a check to ensure that data is consistent with the provider's audited financial statements. The Annual Financial Return 2021 workbook contains a number of validation checks below each table to help identify errors or discrepancies. A

⁹ Available at www.officeforstudents.org.uk/publications/guidance-for-providers-for-financial-monitoring-returns.

provider should review these validation checks once it has populated its workbook. Further details of how to review errors and warnings are available separately.⁵

43. When an Annual Financial Return 2021 workbook is uploaded to the portal, a workbook containing data verification queries will be available to download. A provider must review each of the verification queries and submit its responses to the portal. The OfS will then review the responses and send any further queries to the provider. In order to carry out this process, a provider is required to submit its initial Annual Financial Return 2021 workbook within six months of its financial year end (by Deadline 1). Data verification will then be carried out over the following month until the seven-month final submission deadline (by Deadline 2). As the process is iterative, in order to ensure the final submission deadline is met, providers should respond to data verification queries as soon as possible. Further details of the data verification process are available separately.⁵

Use and publication of financial data

44. The OfS collects and manages financial data from providers and will use it in accordance with purposes set out in the regulatory framework and HERA.
45. The OfS is committed to protecting personal information and being clear about the information it holds and the way it is used. The OfS has published a privacy notice describing this on its website.¹⁰
46. Specifically in relation to financial data, the collection, processing and publication of information on senior pay and severance payments is necessary for the performance of a task carried out in the public interest or in the exercise of official authority vested in the Controller (see GDPR Article 6(1)(e)); for statistical and research purposes, see GDPR Article 89).
47. The OfS also recognises that providers' financial forecast data, student number forecast data, financial assumptions and commentary information are commercially sensitive. Ordinarily, this data will not be published or shared outside the OfS at a provider level. The OfS may share appropriately aggregated data with other bodies, but in doing so it will ensure that the identity of individual providers is not ordinarily disclosed. However, the OfS may need to share data in a way consistent with its legal powers and duties. The Freedom of Information Act (FOI Act) 2000 allows everyone the right to request access to all types of information held by public bodies, such as the OfS. If the OfS receives a freedom of information request relating to the data of an individual provider, it will always seek the views of the provider before deciding to disclose that information.
48. The functions of the designated data body, HESA, include the publication of appropriate higher education information (section 65 of HERA). The OfS has determined that some financial data is information the designated data body should publish. This is consistent with HESA's annual publication of financial data for education providers across the UK and other stakeholders as an official statistic.
49. The OfS will transfer some financial data from the Annual Financial Return 2021 relating to the audited financial years (Years 1 and 2) to HESA for the purpose of publication as official

¹⁰ See www.officeforstudents.org.uk/ofs-privacy/.

statistics and consolidation and comparison with other UK-wide financial data. Details of exactly which data will be transferred are set out in the table below.

50. The OfS's accounts direction requires a provider to publish (in its financial statements) certain information about the head of provider and the salary and benefits they received and any other information about highly paid staff and compensation or severance payments made for loss of office. This information is collected by the OfS and will be shared with HESA, which will publish it as open data, alongside other financial information about higher education providers. The legal basis for HESA processing financial information about staff pay, compensation and benefits is set out in HESA's staff collection notice under purpose 6.¹¹
51. Table 1 below sets out the data **for Years 1 and 2 only** that will be transferred to HESA for publication as open data, at an individual provider level. (Note that no data will be transferred relating to forecast Years 3 to 7.)

¹¹ See <https://www.hesa.ac.uk/about/regulation/data-protection/notices>.

Table 1: Data transferred to HESA for publication as open data

| Table number in the Annual Financial Return 2021 workbook | Table description | Which elements will be transferred to HESA for publication? |
|---|---|--|
| Table 1 | Consolidated statement of comprehensive income and expenditure | All data transferred to HESA for publication, except for section 19 |
| Table 2 | Consolidated statement of financial position | All data transferred to HESA for publication |
| Table 3 | Consolidated statement of cash flows | All data transferred to HESA for publication, except for sections 12 and 13 |
| Table 4 | Analysis of income | All data transferred to HESA for publication |
| Table 5 | Analysis of income – Research grants and contracts – breakdown by source of income and HESA cost centre | All data transferred to HESA for publication |
| Table 6 | Analysis of income – Course fees and education contracts analysed by domicile, mode, level and source | All data transferred to HESA for publication |
| Table 7 | Higher education student full-time equivalents (FTEs) | Not transferred to HESA |
| Table 8 | Analysis of expenditure – breakdown by activity and HESA cost centre | All data transferred to HESA for publication |
| Table 9 | Analysis of expenditure – staff costs | All data transferred to HESA for publication |
| Table 10 | Analysis of expenditure – severance payments | All numerical data transferred to HESA for publication. No textual data is transferred to HESA. |
| Table 11 | Head of provider remuneration | All numerical data and dates transferred to HESA for publication. No textual data is transferred to HESA. |
| Table 12 | Analysis of capital expenditure | All data transferred to HESA for publication |
| Table 13 | Financial commitments | Not transferred to HESA |
| Table 14 | Access and participation investment | Not transferred to HESA |



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