

Office for
Students



Regulatory advice 14:

Guidance for providers for the financial monitoring returns

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Revision log

Version	Date	Changes
1.0	09/09/20	Publication date

Introduction

1. This regulatory advice sets out guidance about the information that a higher education provider is required to submit as part of its financial monitoring returns to the Office for Students (OfS). These returns include the Annual Financial Return and the Interim Financial Data Collection exceptionally collected by the OfS in October 2020 from providers with a financial year ending on or after 1 April 2020 (the intention to collect the latter was signalled in the update issued on 30 July 2020¹).
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 risk that it may breach condition D in future. This informs the mitigations that the OfS imposes on providers where the OfS identifies an increased risk of a future breach of the condition.
 - b. Assess the patterns and trends in financial sustainability of registered providers at a sector level. This enables the OfS to fulfil its statutory duty under section 68 of Higher Education and Research Act 2017 (HERA).

¹ See www.officeforstudents.org.uk/publications/update-on-the-office-for-students-approach-to-regulation-and-information-about-deadlines-for-data-returns/

- c. Support evidence based policy making through provision of OfS advice to government, e.g. Department for Education, HM Treasury (the OfS won't ordinarily share forecasts of individual providers with other bodies).
- d. Provide data relating to the last complete year to HESA for publication as an official statistic, which supports providers in benchmarking their performance against others.

The provider will need to provide all the required information and to complete the financial return workbooks in full.

- 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 the audited financial statements, registered providers must refer to the relevant accounts direction:
 - a. For accounting periods beginning on or before 31 July 2019, this is OfS 2018.26².
 - b. For accounting periods beginning on or after 1 August 2019, this is OfS 2019.41³.
 - c. Where the OfS publishes a new accounts direction in the future, then this will apply for accounting periods beginning after the date specified in new accounts direction.

Where a provider was not subject to the OfS's accounts direction before its registration by the OfS, it will be required to comply with the relevant accounts direction for financial years ending more than 12 months after the date of their first registration with the OfS.

- 7. In preparing the audited financial statements and in completing the financial return workbooks, providers must refer to the Financial Reporting Standards (FRS102)⁴, or International Financial Reporting Standards (IFRS)⁵, depending on the convention used in the provider's latest audited accounts, to ensure that it follows the correct technical accounting requirements.
- 8. For the Annual Financial Return this guidance is consistent with the finance record guidance published by HESA and does not introduce new terminology or a different interpretation of financial terms from those used previously by the OfS.
- 9. This guidance should be read in conjunction with the OfS regulatory framework (OfS 2018.01)⁶.

² <https://www.officeforstudents.org.uk/publications/regulatory-advice-9-accounts-direction-guidance-on-preparing-and-publishing-financial-statements/>

³ <https://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/>

⁴ <https://www.frc.org.uk/document-library/accounting-and-reporting-policy/2018/frs-102-frs-applicable-in-the-uk-and-republic-of-i>

⁵ <https://www.ifrs.org/issued-standards/list-of-standards/>

⁶ <https://www.officeforstudents.org.uk/advice-and-guidance/regulation/the-regulatory-framework-for-higher-education-in-england/>

10. Providers are required to submit and sign off their Interim Financial Data Collection by noon on 30 October 2020. The bespoke workbook that the provider needs to complete will be issued to individual providers.
11. Providers are required to submit and sign off their finalised 2020 Annual Financial Return within seven months of their financial year end. The Annual Financial Return workbook should be submitted within six months of the financial year end so that the OfS can carry out data verification before sign 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).
12. Any general questions about this regulatory advice can be sent to regulation@officeforstudents.org.uk.
13. Technical queries about the completion or submission of the financial return workbooks can be emailed to financedata@officeforstudents.org.uk.

What evidence must a provider submit and when?

Summary of evidence

14. Providers must submit the following information via the OfS portal⁷:

a. Interim Financial Data Collection:

	Applicable to	Further information from:
Interim Financial Data Collection workbook	All providers with a financial year ending on or after 1 April 2020	This guidance document and technical guidance

b. Annual Financial Return:

	Applicable to	Further information from:
Audited full financial statements	All providers Financial statements must be compliant with the OfS accounts direction except those providers with exceptions detailed in paragraph 6)	OfS 2019.41 or subsequent accounts direction
Annual Financial Return workbook	All providers For providers with a financial year ending before 1 April 2020, only forecast data covering Year 3 (the current year) is required; for providers with a year ending on or after 1 April 2020, forecast data must cover Year 3 to Year 7 (the current year and four subsequent years)	This guidance document and technical guidance
Commentary in relation to the Annual Financial Return workbook	All providers	See relevant section of technical guidance
The management letter from the provider's external auditor	All excluding further education and sixth form colleges	

⁷ Further guidance on how to submit the information to the OfS portal is available in Appendix 1.

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 31 of this guidance document
Audited financial statements from the legal entity giving the legally binding obligation of financial support	Providers that have a legally binding obligation of financial support is in place	

15. For some registered providers, the OfS may have imposed enhanced monitoring requirements or a specific condition of registration in relation to condition D or the provider may submit a reportable event to the OfS about matters that affect its financial viability and sustainability. In these cases, the 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

16. The Interim Financial Data Collection workbook must be submitted and signed off **by noon on 30 October 2020**. This return will not be subject to data verification, but validation checks in the workbook must be reviewed by the provider before submission (see paragraph 44 for guidance on data accuracy and validation). The data should be approved and signed off by the provider's accountable officer, but it does not need to be approved by the governing body. The sign-off form will be automatically generated after the workbook has been successfully uploaded via the OfS portal.
17. The Annual Financial Return workbook should initially be submitted within six months of the provider's year end 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. For a provider with a financial year ending before 1 April 2020, only forecast data covering Year 3 (the current year) is required; for a provider with a year ending on or after 1 April 2020, forecast data must cover Year 3 to Year 7 (the current year and four subsequent years). It is the responsibility of the 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, to which providers are expected to respond. This will be an iterative process and providers may need to correct their tables.
19. For the Annual Financial Return, within seven months of the provider's year end, the following actions must be completed:
- a. All data verification queries have been responded to by the provider.

- b. The Annual Financial Return workbook has been finalised, including forecast information, with validation checks reviewed (see paragraph 44 and 45 for guidance on data accuracy and validation).
 - c. The remaining information in the table in paragraph 13 has been submitted.
20. The OfS requires that the Annual Financial Return financial forecasts and commentary (and business plan if applicable) are approved by the provider's governing body prior to submission. The sign-off form will be automatically generated after all of the steps set out above have been completed and must be signed by the accountable officer. This action must be completed within seven months and one week of the provider's year end.
21. Providers will be informed of the exact deadlines in advance of the submission period. Adjustments will be made to the submission timeframe where the month before final sign-off and submission includes Christmas or Easter.

Signing off the financial monitoring returns

22. Once all of the required actions have been completed, the OfS will ask for each of the financial monitoring returns to be signed off by the provider's accountable officer.
23. The sign off form will be available to download on the OfS portal, along with the final versions of all of the documents submitted by the provider. Please check that all documents are final. The accountable officer will need to sign this form, which should then be uploaded to the OfS portal.
24. The financial monitoring returns signed off as correct by a provider's accountable officer are 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. Amendments to the **Annual Financial Return workbook** will only be accepted following an amendment process.⁸

Audited financial statements

25. A 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.

A provider must submit audited financial statements to the OfS, regardless of whether this is an existing legal requirement or whether it has exemption from filing audited accounts at Companies House or with the Charity Commission due to its size or legal form.

⁸ See www.officeforstudents.org.uk/data-and-analysis/amendments-to-data/

The OfS requires financial statements to be audited by an independent external auditor (see below) 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, then the OfS will be unable to consider this information and may consider the provider to be in breach of ongoing conditions of registration E3 and F3.

26. A provider's audited financial statements for each year must be prepared on the basis of the FRS 102, or the IFRS (if applicable) and include all of the following:

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

Some providers do 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 an appropriate, fair and reasonable assessment of the provider's financial viability and sustainability.

If a registered provider submits financial statements to the OfS as part of its Annual Financial Return that do not contain all of the components set out above, then this may be a breach of ongoing conditions of registration E3 and F3.

27. The external auditor must provide a report giving an opinion to the governing body. Requirements in relation to this report are set out in the relevant OfS accounts direction.

28. It may be the case that a provider gives a trial balance⁹ to its external auditor and that 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.
29. The audited financial statements must be correctly signed – the relevant OfS accounts direction sets out the requirements for signature.
30. The external auditor must sign the report to the governing body that is included in the financial statements.

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.

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.

If a registered provider submits financial statements to the OfS in its Annual Financial Return that are not signed by the external auditor or for which the external auditor's opinion does not cover all of the pages in the financial statements, then this may be a breach of ongoing conditions of registration E3 and F3.

Business plan

31. 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.
 - 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.
32. 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

⁹ The trial balance is a list of all the closing balances of all of the accounts in your general ledger.

assumptions that underpin the financial forecasts in the financial return workbook. The forecasts must be credible and show:

- over what period the provider will become financially viable and sustainable and how it will achieve this
- how the provider will manage its finances over 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
- what contingency plans the provider has in place should unexpected financial challenges arise during this period.

33. Providers can submit a business plan in any format as long as it includes the information set out above.

Interim Financial Data Collection workbook

34. The workbook requires a provider to give some limited financial information about its financial performance and position for the financial years that end in 2020 and 2021. This enables the OfS to make a judgement about the provider's short-term financial risks resulting from the impact of the coronavirus pandemic. Providers will need to complete the workbook in full.

35. The data for the financial year that ends in 2020 must be consistent with the audited financial statements if the audit of these accounts has concluded by the time the submission is made.

36. The OfS has published an example template workbook on the OfS website together with detailed guidance explaining how to complete the tables. A provider must download its bespoke workbook from the OfS portal and upload the workbook using the portal once completed.

37. The information in the guidance on completing the Interim Financial Data Collection workbook is intended to help providers to understand what they should include in each line. In completing the workbook, a provider should refer to FRS102 or IFRS, depending on the convention used in its latest audited accounts, to ensure that it follows the correct and consistent technical accounting requirements.

38. It should be noted that, for some providers, specific information relating to forecast fee income from international students will be shared with UKRI for the purpose of supporting the administration of the Department for Business, Energy and Industrial Strategy's Sustaining University Research Expertise (SURE) support package.

Annual Financial Return workbook

39. 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 will need to complete the workbook in full.

40. A provider must submit historic financial data consistent with its audited financial statements and forecasts to the OfS in the Annual Financial Return workbook.
41. The OfS has published an example template workbook on the OfS website together with detailed guidance explaining how to complete the tables. The tables collected as part of the financial return 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.
42. The information in the Annual Financial Return workbook guidance is intended to help providers to understand what they should include in each line. In completing the workbook, a provider should refer to FRS102 or IFRS, depending on the convention used in its latest audited accounts, to ensure that it follows the correct and consistent technical accounting requirements.
43. The financial return workbook has been designed to ensure that the OfS can collect data from a diverse range of providers with differing levels of organisational complexity. We recognise 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, we have adapted the workbook for different types of provider, to show only relevant areas of the table.

Data accuracy and validation

44. The accuracy of submitted data is the responsibility of each provider. The return of inaccurate data to the OfS may affect the OfS's judgement about a provider's ability to continue to comply with its conditions of registration.
45. A provider must check that it has entered the data into tables correctly to ensure that it is returning accurate data. The financial return workbooks contain a number of validation checks below each table to help identify errors or discrepancies. A provider should review these validation checks once it has populated its financial return workbook. Further details of how to review errors and warnings are available separately to this guidance.
46. When an Annual Financial Return workbook is uploaded to the portal, a workbook containing data verification queries will be available to download. Please note that this will not be the case for the Interim Financial Data Collection workbook, which will not be subject to data verification checks. In order to mitigate the risk of the OfS receiving inaccurate data, a provider should review each of the queries and submit its responses to the portal. The OfS will then review the responses and communicate any further queries with the provider. In order to carry out this process, a provider is required to submit its initial Annual Financial Return workbook within six months of its financial year end. Data verification will then be carried out over the following month until the seven-month final submission deadline. Further details of the data verification process are available separately to this guidance.

Use and publication of financial data

47. The OfS collects and manages financial data from providers and will use it in accordance with purposes set out in the regulatory framework and the Higher Education and Research Act 2017.
48. The OfS is committed to protecting personal information and being clear about the information held and how it is used. The OfS has published a privacy notice describing this on its website.
49. Specifically in relation to the 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)) and for statistical and research purposes (See GDPR Article 89).
50. 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. However, it should be noted that, for some providers, specific information relating to forecast fee income from international students will be shared with UKRI for the purpose of supporting the administration of the Department for Business, Energy and Industrial Strategy's Sustaining University Research Expertise (SURE) support package. We may also share appropriately aggregated data with other bodies, but in doing so we will ensure that the identity of individual provider data is not ordinarily disclosed. 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 we receive a freedom of information request relating to individual provider data, we will always seek the views of the provider on disclosure.
51. 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.
52. The OfS will transfer some financial data from the Annual Financial Return, including data on senior pay and severance payments, only relating to the audited financial years (Years 1 and 2) to HESA for the purpose of publication as official statistics and consolidation and comparison with other UK-wide financial data. Details of exactly which data will be transferred is set out in the table below.
53. The OfS's accounts direction requires a provider to publish (in its financial statements) certain information on 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 in its financial statements. This information is also collected by the OfS in these tables and will be shared with HESA, which publishes 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: (<https://www.hesa.ac.uk/about/regulation/data-protection/notices>).

54. The following table 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.)

Table number in the Annual Financial Return 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
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	Student numbers (FTE)	Not transferred to HESA
Table 8	Analysis of expenditure – breakdown by expenditure 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 data transferred to HESA for publication
Table 11	Head of provider remuneration	All data transferred to HESA for publication
Table 12	Analysis of capital expenditure	All data transferred to HESA for publication
Table 13	Financial commitments drawn and commitments agreed with lender but not yet drawn down	Not transferred to HESA
Table 14	Access and participation investment	Not transferred to HESA
Financial commentary	Commentary supporting the financial workbook	Not transferred to HESA



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