

Office for
Students



Regulatory advice 9: Accounts direction

Guidance on preparing and publishing
financial statements for accounting
periods beginning on or after 1 August 2019

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Introduction

1. This accounts direction sets out the information that providers are required to include in their audited financial statements by the Office for Students (OfS). It applies to financial statements prepared by registered providers for accounting periods (financial years) beginning on or after 1 August 2019.
2. This accounts direction applies to English higher education providers that have been registered by the OfS and so are subject to ongoing condition of registration E3 relating to 'Accountability'. It applies whether a provider is in the Approved or Approved (fee cap) category of the Register and applies irrespective of whether a provider receives funding from the OfS. It should be read alongside the OfS's regulatory framework.¹
3. This accounts direction will remain in force until the OfS replaces it.
4. Please contact regulation@officeforstudents.org.uk with any queries about the requirements set out in this document.

¹ The OfS's regulatory framework is available at: www.officeforstudents.org.uk/publications/securing-student-success-regulatory-framework-for-higher-education-in-england/.

Requirements for higher education providers registered by the OfS

5. The OfS's regulatory framework, published in February 2018, came fully into force on 1 August 2019. All registered providers are required to comply with the ongoing conditions of registration that are imposed from the date of their registration. This includes condition E3:

Condition E3: accountability

The governing body of the provider must:

- i. Accept responsibility for the interactions between the provider and the OfS and its designated bodies.
- ii. Ensure the provider's compliance with all of its conditions of registration and with the OfS's accounts direction.
- iii. Nominate to the OfS a senior officer as the 'accountable officer' who has the responsibilities set out by the OfS for an accountable officer from time to time.

6. The OfS published a previous accounts direction in June 2018 (OfS 2018.26). That version continues to apply until this new accounts direction comes into effect for accounting periods beginning on or after 1 August 2019. A provider may choose to adopt this accounts direction early (in other words, for accounting periods beginning on or before 31 July 2019) and apply it in whole or in part in its next set of audited financial statements – this means that where the two accounts directions have differing requirements, providers may choose to apply either set of requirements, but must comply with one or the other. Where a provider does not adopt these updated requirements for its audited financial statements for accounting periods beginning on or before 31 July 2019, the requirements of the previous accounts direction (OfS 2018.26) remain in force. Where a provider adopts elements of this accounts direction early, it should state this explicitly to ensure clarity for the users of the financial statements.
7. Condition E3 requires a provider to comply with the OfS's accounts direction. Providers become subject to the accounts direction after registration by the OfS as part of ongoing condition of registration E3; some providers that were funded by the OfS before their registration were already subject to the 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. This allows providers that did not previously have to comply with the OfS's accounts direction a reasonable amount of time to put in place the arrangements necessary for compliance.
8. This phased approach means the following:
 - a. If (by way of illustration) a provider's financial year end is 30 June and it is registered by the OfS on 30 September 2018:

- It will need to have its financial statements audited by an independent auditor for each accounting period following its registration – this applies to any financial statements produced after its registration date, irrespective of the amount of time that has elapsed since the provider’s registration date.
- It will not need to follow any OfS accounts direction for its audited financial statements for the financial year ending 30 June 2019 as this year end falls only nine months after its registration date. However, its audited full financial statements need to comply with the financial reporting standards and no statutory exemptions can be applied. It may, by choice, adopt and follow either of the available accounts directions (OfS 2018.26 or this accounts direction).
- It will need to follow the 2018 accounts direction (OfS 2018.26) for its audited financial statements for the year ending 30 June 2020. This is because this is the first year end after registration that falls more than 12 months after registration and the financial year began before 1 August 2019 (i.e., on 1 July 2019). The provider could choose to apply this accounts direction (OfS 2019.41) in whole or in part if it wishes.
- It will need to follow this accounts direction (OfS 2019.41) for its audited financial statements from the year ending 30 June 2021 – this is its first financial year beginning on or after 1 August 2019.

b. If a provider’s financial year end is 30 June and it is registered with the OfS on 15 May 2019:

- It will need to have its financial statements audited by an independent auditor for each accounting period following its registration – this applies to any financial statements produced after its registration date, irrespective of the amount of time that has elapsed since the provider’s registration date.
- It will not need to follow an accounts direction for its financial statements for the year ending 30 June 2019 and should prepare full audited financial statements as required by the financial reporting standards without application of any statutory exemptions – this is because its first financial year end after registration by the OfS is only one month after registration. It may, by choice, adopt and follow either of the available accounts directions (OfS 2018.26 or this accounts direction).
- It will need to follow the 2018 OfS accounts direction (OfS 2018.26) for its financial statements for the year ending 30 June 2020 – this is its first full financial year after registration by the OfS and it begins before 1 August 2019. It may, by choice, adopt and follow this accounts direction in whole or in part for these financial statements.
- It will need to follow this accounts direction for its financial statements for the year ending 30 June 2021 – this is its first financial year beginning on or after 1 August 2019.

9. Further education and sixth form colleges (FECs) that are registered with the OfS are required to comply with the OfS’s accounts direction on the same basis as other registered providers and as set out in paragraphs 7 and 8. These providers are also subject to the

accounts direction² published by their primary regulator, the Department for Education. Where the requirements of the OfS's and the Department for Education's accounts direction overlap, disclosure should be made only once for the purposes of both organisations. There are no requirements that conflict, although there are some areas where disclosures are required to give differing levels of detail based on each regulator's requirements and regulatory context.

Disclosures about staff pay

10. The OfS requires disclosures about senior staff pay because transparency is an important regulatory tool – it draws attention to an important issue and enables questions and explanations about practice across the sector. Providers receive significant funding from student loans as well as from public funding. There needs to be transparency about how this money is spent, particularly given constraints on public funding and public interest in these issues, as well as the impact of graduate contributions in relation to tuition fee and maintenance loans.

Senior staff pay

11. This accounts direction requires that providers have regard to the 'Higher education senior staff remuneration code'³ published by the Committee of University Chairs (CUC), irrespective of whether the provider is a member of the CUC.
12. A provider must include the following disclosures in the 'staff costs' note to its financial statements:
 - a. The number of staff with a full-time equivalent basic salary of over £100,000 per annum, broken down into bands of £5,000. Basic salaries should be determined at the financial year end. Where staff are on reduced pay due to parental, maternity or sickness leave, this should be disclosed on a full-time equivalent basis, as for other staff. Providers should calculate the basic salary prior to any adjustment for salary sacrifice. This must include any market supplements that are paid. For these reporting purposes, basic salary should exclude bonus payments, allowances, clinical excellence awards and other such payments. Providers should not include staff who joined or left part-way through a year but who would have received salary in these bands in a full year. Where a proportion of the salary is reimbursed by another body (such as the NHS, or the research councils through grants and scholarships), only the proportion paid by or charged to the provider must be disclosed. Providers must include this information in a table in order to help users of the financial statements to understand this information and to aid comparability between providers – see below for an example.

² See www.gov.uk/government/publications/college-accounts-direction.

³ See www.universitychairs.ac.uk/publications/.

Basic salary per annum	Number of staff (2019-20 ⁴)	Number of staff (2018-19 ⁵)
£100,000 - £104,999	4	3
£105,000 - £109,999	7	5
£110,000 - £114,999	3	4
£115,000 - £119,999	12	10
...

- b. Full details of the total remuneration package for the head of provider based on the amount paid by the provider – this must be disclosed whatever the amount of the head of provider’s basic salary (in other words, whether it is above or below £100,000). Where more than one individual has held the post during the year, or where any payments have been made to an individual who held the post in the previous year, the remuneration information should be provided for each individual together with the dates to which the role or services relate (see paragraph 13 also). Providers must disclose the information for the previous year in this disclosure note. Providers must disclose separate values for:
- i. Basic salary, which is the basic salary paid prior to any adjustment for salary sacrifice. This must include market supplements. As noted above, where the individual has not been in post for the whole period, the disclosure must include the dates to which the payments relates. This will enable the OfS to calculate the full-time equivalent salary for comparison purposes.
 - ii. Payments in lieu of pension contributions. This is the total amount paid to the head of provider instead of the provider making contributions to the head of provider’s pension.
 - iii. Payment of dividends (including, but not limited to, dividends paid in lieu of salary).
 - iv. Performance-related pay and other bonuses awarded during the financial year in full, including any amounts waived and any deferred payment arrangements (including where this may be paid through payroll or by separate invoice arrangements after the head of provider has left office), as this reflects the amount that was actually awarded to the head of provider. To ensure transparency any amounts waived should be disclosed separately as a note in the disclosure. Where an individual has a bonus deferred, this should be disclosed in the accounts in the year awarded and in the year paid, with explanatory notes as needed to ensure clarity for users of the accounts.
 - v. Pension contributions. This is the total amount paid by the provider in pension contributions on behalf of the head of provider during the year and includes all costs payable by the provider to the scheme in relation to the head of the provider. This excludes payments paid in lieu of pension contributions as these are disclosed separately as above (see b.ii.). It excludes any voluntary or additional head of provider-funded direct contribution or additional voluntary contribution-type arrangements that

⁴ Enter the financial year for the provider’s audited financial statements.

⁵ Enter the comparative (prior) financial year for the provider’s audited financial statements.

the head of provider has asked to be set up by the provider and to which the provider does not contribute. There may be a tax benefit of such arrangements or the payments may be made as part of salary sacrifice arrangements, both of which should be disclosed under 'salary sacrifice arrangements'.

- vi. Salary sacrifice arrangements. Some salary sacrifice schemes that a provider operates may lead to taxable or non-taxable benefits that must be disclosed separately – these should not be duplicated here. Where salary sacrifice applies to pensions, the head of provider gives up an amount of salary and in return the provider makes an equivalent contribution directly into the head of provider's pension on their behalf, delivering National Insurance savings for both provider and the head of provider – this is in addition to the provider's own pension contribution. Where this is the case, the pension contribution figure will be overstating the value of the remuneration (as basic salary has not been adjusted to reflect the salary sacrifice). Providers should also use the 'salary sacrifice arrangements' disclosure to identify and explain the amount by which the total remuneration value should be adjusted downwards to allow for the inclusion of the amount that equates to the provider's contribution made on behalf of the head of provider under such salary sacrifice arrangements for pensions. These examples are not exhaustive and providers must include any other matters that are relevant under 'salary sacrifice arrangements' that are not disclosed under other headings for the disclosures about the head of the provider's remuneration.
- vii. Compensation for loss of office. The total amount should be disclosed under the 'compensation for loss of office' heading for completeness. The disclosure should be cross-referenced to any more detailed disclosures about compensation for loss of office made elsewhere in the accounts.
- viii. Any sums paid under any pension scheme in relation to employment with the provider. The provider should identify separately the cost, if any, of paying into any other pension schemes for the head of the provider that are not disclosed elsewhere in the remuneration disclosure. This should also include the cost to the provider (if any) of putting a pension into payment, where this is charged to the provider by the pension scheme in which the head of provider was a member prior to leaving office. Any other matters relevant to this heading that are not disclosed under other headings should also be included under this heading.
- ix. Other taxable benefits. Providers must state the nature of each of the taxable benefits and the estimated money value of each of the benefits (in particular, but not limited to, company cars, subsidised loans including mortgage subsidies, and subsidised accommodation). In respect of accommodation, in order to arrive at the figure for taxable benefits providers should use the sums declared for P11D or P60 purposes – these may need to be adjusted if the figures are collated for a period drawn across two tax years.
- x. Non-taxable benefits. Providers must disclose the nature of each of the non-taxable benefits and the cost to the provider of providing each of them. This is required to ensure transparency over the full benefits that the head of provider receives. The non-taxable benefits that must be disclosed are those that are available only to senior members of staff or are only available to the head of the provider. These may include,

but are not limited to, contributions to relocation costs, living accommodation and any other tangible benefit to which the provider should be able to ascribe a cost of provision of the benefit. Providers do not need to disclose non-taxable benefits that simply flow from being a member of the provider's staff and that are given to, or as a minimum are available to, all members of the provider's staff. In terms of accommodation:

- Where a head of provider has accommodation provided, this means that there are significant living costs that are paid for by the provider itself – rent or mortgage, utilities bills, maintenance, decoration, housekeeping and other such costs. A provider should be able to ascribe a cost to the provision of this benefit, for example it should know what it pays for utilities at the property. The provider should also know the proportion of the year that the property is used for official events (including, but not limited to, formal dinners or receptions for the provider's business) and what is personal use (where there are no official events for the provider) and the costs should be apportioned accordingly to ensure that the official use of the property is not included as a benefit to the head of the provider.
 - Where a property is fully owned by the provider, there may be minimal costs of provision of the benefit, but its value to the head of provider is still substantial. In such cases, providers should disclose the opportunity cost to the provider of not being able to rent the property out commercially for that percentage of time that the property is not being used for official business. In such cases, the rental value of the property should be disclosed and providers should pro-rate the costs accordingly to ensure that the official use of the property is not included as a benefit to the head of the provider.
- xi. Other remuneration. Providers must disclose the nature of any other types of remuneration and the cost to the provider of providing each type of remuneration. The types of remuneration may include compensation for loss of benefits, ex-gratia and remuneration payments while on sabbatical, payments as salary or dividends from 'group' companies or joint ventures, and payments for consultancy work that are made to the individual or companies controlled by the individual (via the provider), rather than to the provider, for work delivered using the provider's resources (even where these payments are made directly by a third party, as they are for work delivered using the provider's resources). This should also include payments made to a previous head of provider after leaving office that have not been previously disclosed in the provider's the audited financial statements – these should be disclosed irrespective of the services to which the payment(s) relate.
- c. A justification for the total remuneration package for the head of the provider. The justification must include reference to the context in which the provider operates, and be linked to the value and performance delivered by the head of the provider. It should contain an explanation of the process adopted for judging their performance. The justification should explain both the processes and oversight arrangements involved in making remuneration decisions and why the level of remuneration awarded to the head of provider is justified.
- d. The relationship between the head of provider's remuneration and that for all other employees employed in the reporting year, expressed as a pay multiple. All other

employees includes academic and non-academic staff and must include all employees who are required to be included in real-time reporting to HMRC. Employees that are not required to be included in real-time reporting to HMRC should be excluded from the calculation of the remuneration of 'all other staff'. The pay multiple must be expressed as the full-time equivalent of the head of the provider's remuneration divided by the median pay at the provider (also calculated on a full-time equivalent basis). This should be calculated across all staff pay, not just the academic staff. For example, the head of a provider earns £250,000 per annum as their full-time equivalent basic salary and receives a further £75,000 per annum in other remuneration (as set out in paragraph 12b. above) and the median salary at the provider is £35,000 per annum (on a full-time equivalent basis) and this increases to £40,000 when other remuneration is included (such as overtime, bonuses). In this example, the pay ratios that need to be disclosed are as follows:

- i. The head of the provider's basic salary is 7.1 times the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.
- ii. The head of the provider's total remuneration is 8.1 times the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the provider of its staff.

13. Where there is a change in the head of the provider (including the appointment of an acting or interim head) either between years or during a year, providers must make the disclosures set out in paragraph 12b. separately for each individual, and provide the start and end dates of appointments for both the current financial year and previous financial year.
14. Where an individual who was the head of provider in the prior year continues to receive remuneration in an employed or consultancy role after they cease to be the head of the provider, such as in an advisory or sabbatical role or receives any payment(s) for any other services provided to the provider after leaving office, this should be disclosed with an explanation of the amount paid and the reason for the payment.

Severance payments

15. Providers must have regard to 'Guidance on decisions taken about severance payments in HEIs'⁶ published by the CUC, irrespective of whether the provider is a member of the CUC.
16. Compensation for loss of office refers to circumstances in which an individual has left the provider's employment and this has associated with it some form of compensation, whether this is a cash payment (or equivalent) or non-cash benefit. This may be associated with a settlement agreement, but not necessarily in all cases. This applies to all instances of loss of office, including where it occurs at the end of a fixed-term contract. Financial employment arrangements in relation to settlements are a matter for the provider and the OfS will not provide advice or comment on these.

⁶ See www.universitychairs.ac.uk/wp-content/uploads/2018/06/HE-Remuneration-Code-Severance.pdf.

17. A provider must include the following disclosures in the 'staff costs' note to its financial statements:

a. Disclosures about all staff:

The total amount of any compensation for loss of office paid across the whole provider (irrespective of the basic salary of an individual), and the number of people to whom this was payable for any of the following occurrences:

- i. Loss of office.
- ii. Loss of any other office connected with the provider's affairs.
- iii. Loss of any other office connected with the affairs of a parent or subsidiary undertaking of the provider.

This disclosure should include the head of the provider and all other staff and should not be limited to senior staff or key management personnel only. Where the provider has not paid any compensation for loss of office to any staff member, this should be stated to ensure clarity for users of the financial statements.

b. Disclosures about the head of provider:

- i. The amount of compensation for loss of office paid to the head of the provider. The disclosure should also state separately the amount of compensation paid for loss of office at the provider as one figure and, as a separate figure, the total compensation paid for loss of office at any of the provider's parent or subsidiary undertakings or any other office(s) connected to the provider's affairs.
- ii. Where the compensation paid to the head of the provider includes benefits other than cash, the provider must disclose the nature of the benefit in detail and the estimated money value of the benefit. Such benefits may include, but are not limited to: the continued provision of accommodation, the continued use of a vehicle, provision of careers guidance services up to a specified amount or provision of independent legal advice (such as in relation to severance agreements). The source of funding for any compensation paid or benefits given must be disclosed.
- iii. Where the compensation paid to the head of the provider includes additional pension contributions relating to the employment with the provider (whether these are voluntary contributions or otherwise), the amount of the pension contribution must be disclosed. The provider should identify the cost of any additional payments made into pension schemes as part of the package given to the head of provider as compensation for loss of office, including, but not limited, to provider-funded pension top-ups. This should also include the cost to the provider, if any, of putting a pension into payment charged to the provider by the pension scheme in which the head of provider was a member prior to leaving office.

18. Severance payment disclosures should be made on the same basis as the accounts are prepared, i.e. on an accruals basis. Providers should use their discretion to add a note to

explain to users of the accounts what has happened and why, if they feel that any disclosures would benefit from further explanation to assist users of the accounts.

Disclosures about management and governance arrangements

19. The OfS requires disclosures about management and governance arrangements because transparency is an important regulatory tool. It is a matter of public interest that higher education providers are well run.

Corporate governance

20. This section applies to all registered providers. A provider must include a 'statement of corporate governance' in its financial statements. The statement of corporate governance must set out a description of the provider's corporate governance arrangements and a statement of the responsibilities of the governing body.
21. For all registered providers, the corporate governance statement must set out how the provider ensures:
 - a. transparency about the provider's corporate governance arrangements
 - b. the adequacy and effectiveness of arrangements for corporate governance, risk management and oversight of any statutory and other regulatory responsibilities (for registered providers this would include compliance with the OfS's ongoing conditions of registration, any terms and conditions of funding as well as any other relevant regulatory responsibilities).
22. For providers that are in receipt of public funding from the OfS, UK Research and Innovation (UKRI, including Research England) or the Department for Education, the corporate governance statement must also set out how the provider ensures:
 - a. regularity in the use of this public funding
 - b. propriety in the use of public funding.
23. For all registered providers, the statement of corporate governance must explicitly relate to the period covered by the financial statements, and the period up to the date of approval of the audited financial statements.
24. A provider may combine the statement of corporate governance with the statement of internal control (see below) provided that all of the disclosures required are made.

Internal control

25. This section applies to all registered providers. Each provider must include a 'statement of internal control' in its financial statements. The statement of internal control relates to a provider's arrangements for the prevention and detection of corruption, fraud, bribery and other irregularities.
26. A provider's arrangements for internal control will depend on its size and complexity. A provider should determine the most appropriate way to ensure that appropriate arrangements are in place. These are likely to be the same arrangements that the provider would want in

place to give it and its shareholders, trustees and/or members' assurance that it is able to prevent and detect fraud and other irregularities.

27. The statement of internal control must include an account of how the following principles of internal control have been applied:
- a. Identifying and managing risk should be an ongoing process linked to achieving the organisation's objectives.
 - b. The approach to internal control should be risk-based, including an evaluation of the likelihood and impact of risks becoming a reality.
 - c. Review procedures must cover business, operational and compliance risk as well as financial risk.
 - d. Risk assessment and internal control should be embedded in ongoing operations.
 - e. During the year the governing body or relevant committee should receive regular reports on internal control and risk.
 - f. The principal results of risk identification, risk evaluation and the management review of the effectiveness of the arrangements should be reported to, and reviewed by, the governing body.
 - g. The governing body should acknowledge that it is responsible for ensuring that a sound system of internal control is maintained, and that it has reviewed the effectiveness of these arrangements.
 - h. The statement of internal control must set out 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. Where appropriate, information about actions taken, or proposed, to deal with significant internal control weaknesses or failures should be set out. The following questions will help to identify whether the provider has experienced a significant internal control weakness or failure:
 - i. Might the weakness or failure prevent achievement of a strategic objective or target?
 - ii. Could the weakness or failure have a material impact on the financial data reported in the financial statements?
 - iii. Could the weakness or failure result in a diversion of resources from another important aspect of the provider's business?
 - iv. Does the provider's audit committee advise in its annual report to the governing body that the weakness or failure is significant?
 - v. Do the internal or external auditors regard the weakness or failure as significant (e.g. is it a high priority recommendation or a qualification of the internal or external auditors' annual opinions)?

- vi. Could the weakness or failure, or its impact, attract significant public interest, or seriously damage the reputation of the provider and/or the sector?
 - i. The statement of internal control explains the role of external audit and, where in place, internal audit in improving the internal control environment and provider's performance in the delivery of value for money.
28. The statement of internal control must explicitly relate to the period covered by the financial statements, and the period up to the date of approval of the audited financial statements.
29. A provider may combine the statement of internal control with the statement of corporate governance (see above) provided that all of the disclosures required are made.

Disclosures about financial information

Components of audited financial statements

30. The OfS requires that a provider's audited financial statements for each year must be prepared on the basis of the Financial Reporting Standard 102⁷ (FRS 102), or the International Financial Reporting Standards (if applicable). Where a provider has subsidiaries, it must prepare consolidated financial statements. The financial statements must include all of the following:
- a. A 'Statement of financial position' (balance sheet)
 - b. Either a 'Statement of comprehensive income' incorporating profit or loss for the period and items of other comprehensive income
 - c. A 'Statement of changes in equity' or, where permitted by the applicable accounting framework, a 'Statement of income and retained earnings' or a 'Statement of changes in reserves'
 - d. A 'Statement of cash flows'
 - e. A 'Statement of principal accounting policies'
 - f. Notes to the financial statements.
31. Some businesses do not need to include all of the components set out above in their financial statements due to their size or legal form. However, the accounts direction requires that 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.

⁷ Note: The OfS does not require providers to follow the further education/higher education statement of recommended practice (FEHE SORP). The adoption of the FEHE SORP is a matter for providers and their auditors.

Details of grant and fee income

32. All registered providers must include a note to the audited financial statements that provides detail on sources of grant and fee income as follows:

	2019-20 ⁸	2018-19 ⁹
Grant income from the OfS		
Grant income from other bodies		
Fee income for taught awards (exclusive of VAT)		
Fee income for research awards (exclusive of VAT)		
Fee income from non-qualifying courses (exclusive of VAT)		
Total grant and fee income		

33. For the purposes of paragraph 32, the following definitions apply:

- a. 'Grant income from the OfS' means grants to the provider by the OfS for both:
 - i. the provision of education by the provider and
 - ii. the provision of facilities, and the carrying on of other activities, by the provider, which its governing body considers are necessary or desirable to provide or carry on for the purposes of, or in connection with, education.

This includes recurrent teaching funding (including targeted allocations, high-cost subject funding, National Collaborative Outreach Programme funding and any other recurrent teaching funding) and non-recurrent funding (including grants for capital infrastructure, challenge competitions or any other non-recurrent grant funding) to the provider from the OfS. The amount of grant income must be exclusive of any deductions for expenditure such as that spent on access and participation activities.

- b. 'Grant income from other bodies' means grants to the provider by UKRI, Research England or any other body. This includes the knowledge exchange funding that is distributed by both UKRI and the OfS in the form of Higher Education Innovation Funding.
- c. 'Fee income for taught awards (exclusive of VAT)' means fee income for higher education courses¹⁰ for taught awards¹¹ (from students directly or via the Student Loans Company or

⁸ Or the equivalent financial year to which the provider's audited financial statements relate.

⁹ Or the equivalent financial year prior to the financial year to which the provider's audited financial statements relate.

¹⁰ Higher education courses are as defined in section 83(1) of the Higher Education and Research Act 2017.

¹¹ Taught awards and research awards are as defined in section 43(1) of the Higher Education and Research Act 2017.

other body paying fees on behalf of the student) and includes undergraduate and postgraduate taught awards.

- d. 'Fee income for research awards (exclusive of VAT)' means fee income for research awards and includes postgraduate research awards (excluding research training support grants).
- e. 'Fee income from non-qualifying courses (exclusive of VAT)' means fees paid by students (or by others on behalf of students) for non-credit-bearing courses, further education courses, research training support or any other course that are not included under the definitions set out in 33(c) and (d).

34. The disclosures about grant and fee income must be covered by the external auditor's opinion (see below).

Access and participation expenditure

35. Where a provider has an access and participation plan that has been approved by the OfS's director of fair access and participation, the provider must include a note in its audited financial statements that sets out its expenditure on each of the following:

- a. Access investment. This includes all expenditure in the financial year on activities and measures that support the ambitions set out in an access and participation plan, where they relate to access to higher education.
- b. Financial support provided to students in the financial year (such as bursaries, scholarships, etc.). This should only include expenditure on financial support directed at underrepresented and disadvantaged groups.
- c. Support for disabled students in the financial year, which can include, but is not limited to, the disabled students' premium. This excludes expenditure included in the two categories above.
- d. Research and evaluation related to access and participation activities in the financial year.

36. For accounting periods beginning on or after 1 August 2019 and before 31 July 2020, providers will not be able to disclose comparative figures for the prior year, as access and participation plans were not in place prior to 1 August 2019 and so no figures exist as comparatives. For accounting periods beginning on or after 1 August 2020, the comparative figures for the prior financial year must be disclosed.

37. These amounts can include staff costs where these are intrinsic to the delivery of the access and participation activities. Where these are included, however, the provider must be clear in the disclosure note how much these costs are and that these costs are already included in the overall staff costs figures included in the financial statements, referring to the relevant note to the financial statements where appropriate.

38. Where the provider's financial year end is not 31 July, it should report the access and participation spend for the financial year. In such circumstances, the OfS will not directly compare the disclosure to the provider's spend commitments in its access and participation

plan, but will use it as the basis for a reasonableness check that the provider is meeting the terms of its plan.

39. The disclosure must include a link to the provider's published access and participation plan(s) to facilitate comparison of the disclosed amounts to the commitments the provider made in its approved plan(s).
40. The disclosures about access and participation must be covered by the external auditor's opinion (see below).

Report from the external auditor

41. A provider's financial statements must be audited by an independent external auditor. By 'independent' we mean 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.¹²
42. A provider's external auditor must include a report to the governing body in the financial statements on whether in all material respects:
 - a. The financial statements give a true and fair view of the state of the provider's affairs, and of its income and expenditure, gains and losses, changes in reserves and cash flows for the year. The external auditor should take into account relevant statutory and other mandatory disclosure and accounting requirements, and the requirements of the OfS, and (where applicable) of Research England and other funders.
 - b. The financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice¹³ (or, if applicable, the International Financial Reporting Standards).
 - c. Where applicable, funds from whatever source administered by the provider for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation.
 - d. Where applicable, funds provided by the OfS, UK Research and Innovation (including Research England) and the Department for Education have been applied in accordance with the relevant terms and conditions.
 - e. The requirements of the OfS's accounts direction have been met.
43. For all registered providers, a provider's external auditor must include in its report to the governing body in the financial statements whether it has anything to report in respect of the following matter, in relation to which the OfS requires the auditor to report where:
 - a. The provider's grant and fee income, as disclosed in the note to the accounts, has been materially misstated.

¹² See <http://www.auditregister.org.uk/Forms/Default.aspx>.

¹³ Note: this includes Financial Reporting Standard 102 or any successor standard(s).

44. Where a provider has an access and participation plan that has been approved by the OfS's director of fair access and participation, a provider's external auditor must include in its report to the governing body in the financial statements whether it has anything to report in respect of the following matter in relation to which the OfS requires the auditor to report where:
- a. The provider's expenditure on access and participation activities for the financial year has been materially misstated.

Disclosures for an exempt charity

45. An exempt charity is exempt from registration with, and direct regulation by, the Charity Commission. The OfS is the principal regulator for those higher education providers in England that are exempt charities and for exempt charities that are closely connected with them. The OfS's approach to regulation is set out in its regulatory framework.¹⁴ Further information about the OfS's approach to its role as principal regulator of those higher education institutions that are exempt charities is published in regulatory advice 5 (OfS 2018.23).
46. Beyond those requirements that apply to all registered providers regardless of whether or not they are charities, the OfS will place minimal additional obligations on exempt charities. The OfS's requirements reflect its general duties in section 2 of the Higher Education and Research Act 2017 (HERA) to have regard to the need to use its resources in an efficient, effective and economic way and to be proportionate in its regulation, including targeting regulatory activities only at cases in which action is needed. This means that providers that are exempt charities are not required to make disclosures in their financial statements that are not required under charity law.
47. A provider that is an exempt charity is required to:
- a. Disclose its charitable status in its audited financial statements – this means that it must state that it is an exempt charity.
 - b. Produce financial statements in accordance with the OfS's requirements, as well as in accordance of any relevant statement of recommended practice.

Disclosures for providers with subcontractual arrangements

48. A provider with relevant subcontractual arrangements subject to the requirements of general ongoing condition E10 is required to:
- a. include a 'statement of subcontractual rationale' in its audited financial statements for accounting periods ending on or after 1 July 2026.
 - b. include a note to its audited financial statements for accounting periods ending on or after 1 July 2026 that provides information about retained course fees paid to the lead provider by the Student Loans Company, directly by a student, or on behalf of a student.

¹⁴ Available at: www.officeforstudents.org.uk/publications/securing-student-success-regulatory-framework-for-higher-education-in-england/.

49. Additional information about the required format and content of these disclosures is included in Annex A of this document.

Signing and publishing audited financial statements

50. A provider's financial statements must be signed by the accountable officer, and by the chair of the governing body or one other member appointed by that body. The governing body is as defined in the OfS's regulatory framework.¹⁵ Where a governing body consists of one individual and this is the same person as the accountable officer, only the single signature of that person is required. The signature(s) must be under the balance sheet. In signing the audited financial statements, the individual is confirming that the financial statements are not materially mis-stated and that the requirement of the OfS's accounts direction and applicable statutory requirements have been met.
51. The external auditor must sign the report to the governing body that is included in the financial statements.
52. Providers must publish their audited financial statements on their website within two weeks of them being signed by the required individuals and, at the latest, five months after the end of the financial year to which they relate.
53. In the interests of transparency, providers should publish a minimum of the last six years of audited financial statements in an easily accessible part of their website. Where a provider has not been required to have audited financial statements for a six-year period, they should publish all available sets of audited financial statements until a six-year period is covered and should then, as a minimum, continue to publish the last six years of audited financial statements.

¹⁵ That is, persons responsible for the management of the provider. As defined in section 85 of HERA, this will be any board of governors of the provider or any equivalent controlling body, for example the board of a company, the trustees of a charity, etc.

Annex A: Format and content of additional disclosures for providers with relevant subcontractual arrangements

Subcontractual rationale

1. This section applies to all registered providers with relevant subcontractual arrangements subject to the requirements of general ongoing condition E10. More information about the scope and application of these requirements is set out in condition E10 and its associated guidance. This includes the definition of a relevant subcontractual arrangement.
2. A provider must include a 'statement of subcontractual rationale' in its audited financial statements for accounting periods ending on or after 1 July 2026. The statement of subcontractual rationale must set out the rationale that guides the provider's approach to subcontracting, including but not limited to:
 - the provider's overall strategic rationale for its existing relevant subcontractual arrangements
 - how it ensures that the needs of students are prioritised over financial considerations.
3. This should be consistent with the rationale set out in the provider's subcontracting information source, as required by condition E10.

Subcontractual fee retention

4. This section applies to all registered providers with relevant subcontractual arrangements subject to the requirements of general ongoing condition E10. More information about the scope and application of these requirements is set out in condition E10 and its associated guidance. This includes the definition of a relevant subcontractual arrangement.
5. A provider must include a note to its audited financial statements for accounting periods ending on or after 1 July 2026 that provides information about retained course fees paid to the provider (i.e. the 'lead provider') by the Student Loans Company, directly by a student, or on behalf of a student, as follows:
 - by each individual delivery partner with which the lead provider has a relevant subcontractual arrangement
 - for the relevant financial year, for each delivery partner separately:
 - the number of students on courses within the scope of condition E10
 - the total course fees paid by the Student Loans Company, a student, or on behalf of a student relating to these students
 - the total course fee retained by the lead provider relating to these students, presented as both a £ amount and a percentage

- the total course fee retained by the delivery partner relating to these students, presented as both a £ amount and a percentage
- the average course fee retained per student by the lead provider with respect to these students.

- Example below:

Delivery Partner	Number of students (headcount)	Total course fees	Course fee retained by lead provider (£/%)	Course fee retained by delivery partner (£/%)	Average course fee retained by lead provider per student (£)
ABC Training Co	500	£1.5m	£0.5m (33%)	£1m (66%)	1,000
DEF Education Co	200	£600k	£150k (25%)	£450k (75%)	750

6. In this calculation, the OfS expects a provider to use the definition of student numbers as it is used to determine whether the requirements of condition E10 are in force. For the purposes of this calculation this should include actual student numbers for the relevant financial year (rather than forecast numbers).
7. In this calculation, the OfS expects providers to calculate course fees to include the fees paid by students directly or the Student Loans Company, to cover the key elements of students course and academic life, for example including admission, registration, tuition and graduation fees, as set out in section 85 of HERA.
8. Payment structures and schedules in contracts between a lead provider and its delivery partners can be complex. For example, they may include a one-off payment at the start of the contract, a yearly fee and a per student payment that may vary depending on the number of students recruited. In some cases, a lead provider may vary the fee it retains depending on whether it is providing specific services relevant to a particular course, or group of students. As such, for simplicity, the OfS is requiring disclosure of an average per student. The calculation set out above should include any and all payments from a lead provider to each delivery provider, averaged across students.
9. For the avoidance of doubt, there is no requirement to identify the individual payment flows between providers where multiple payments flows may move backward and forward throughout the year. A lead provider may wish to add its own commentary to explain this information, but this is not required. There is also no requirement to break the information down by individual courses, only by each delivery partner.
10. The exception to the requirements to publish information as set out in this 'Subcontractual fee retention' section is a scenario where publication of certain information set out in this section directly conflicts with the terms and conditions of an 'existing contract' to which the provider is subject such that publication of that information would put the provider in breach of that

contract. The requirement on the provider in this scenario is to take all reasonable steps, as promptly as possible to publish that information. An 'existing contract' in this context means a contract in force as at 31 March 2026 (the date that general ongoing condition E10 comes into force).

11. We would normally expect 'all reasonable steps' in this context to include (but not be limited to) the following:
 - taking all reasonable steps to renegotiate contract terms with partner providers where necessary
 - using all potential contract clauses (for example those that allow contract change in response to regulatory action) to allow renegotiation where appropriate
 - using the soonest possible contract break or endpoints to enable changes to contractual terms where that would not lead to a significant financial penalty.
12. Whether it will be reasonable for a provider to pay a financial penalty as part of its 'all reasonable steps' will depend on the specific circumstances, including the amount of the penalty and the financial position of the provider.
13. If, after exhausting all reasonable steps, publishing this information would put the provider in breach of that existing contract, the provider should submit a reportable event. Please see more detailed information in the OfS's guidance on reportable events (Regulatory advice 16).
14. For the avoidance of doubt, this exception does not apply in relation to terms and conditions contained in any new contracts (or variations to existing contracts) that the provider enters into at any point after 31 March 2026 (the date that general ongoing condition E10 comes into force).



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www.nationalarchives.gov.uk/doc/open-government-licence/version/3/