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# FE & HE Digest

## Summer 2024

Latest news from the Further and  
Higher Education sectors

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# Welcome to this latest edition of FE & HE Digest.

Preceding the Easter break there was a flurry of information flowing out from the ESFA for the FE Sector – this meant we all had plenty to do over the long weekend! However, for those who missed the excitement we have used this edition to provide a helpful update: this includes the College Accounts Direction and Audit Code of Practice for 2024, as well as more details on the College Financial Handbook.

We also cover in this edition the new Economic Crime and Transparency Act and the Procurement Act 2023.

As ever if there are any issues you would like to discuss further, please do contact any member of our FE/HE teams.

**Best wishes,**  
Further and Higher Education sector teams





# College Accounts Direction 2024

Each year the ESFA re-issue their Accounts Direction and it was our expectation that the 2024 edition wouldn't be a major news event, given that there haven't been changes in the underlying accounting standard FRS102 and we also have the new Financial Handbook to get used to.

We are pleased to report that our expectations were met, although there are a couple of interesting considerations for 2024.

Starting with what's not in this edition – references to the COVID supplementary bulletin and pandemic-related disclosures have been removed from the College Accounts Direction (CAD).

**Then, on to what's been added or clarified:**

- 1** There is a reminder for those Colleges who are also registered charities to make sure they file their accounts and annual return with the Charity Commission 10 months after the year end. There is also an important reminder for those Colleges registered with the OfS that they need to publish their accounts on their website five months after their year end – so by 31 December in most cases. This is one month earlier than the ESFA deadline.
- 2** New disclosures are required in relation to the external governance review that is required every three years (with effect from 2021-22). When a review has been completed you are required to name the review and give the date when the review took place. You are also now required to provide a summary of the findings alongside confirmation that an action plan has been agreed with the reviewer. The action plan should then be detailed either in the Statement of Governance and Internal Controls or on the College's website.
- 3** For related party transactions, where the College is part of a group, all intra-group transactions and balances must be reported, not just those with wholly owned subsidiaries or the parent entity where they exist.

- 4 Where a College has refinanced its commercial debt with loans from the ESFA, consideration must now be given as to whether the ESFA loans meet the definition of a concessionary loan. A concessionary loan is one that is below the prevailing market rate of interest and that is not repayable on demand. There is a choice of accounting treatments for new concessionary loans which is either the fair value methodology or the amount received then adjusted for accrued interest. We would recommend early consideration of this choice with your auditor.
- 5 There are two new considerations in the CAD in relation to the Local Government Pension Scheme. The first is a reminder that the next scheme valuation is 31 March 2025 and new contribution rates will be applicable from 01 April 2026, and also a reminder that any deficit funding plans must be disclosed in the notes to the accounts. The second is regarding pension assets, a reminder that accounting policies and disclosure notes should include the explanation of any key accounting estimates or judgments that have been made in impairing or recognising pension assets.
- 6 Finally, there is also a reminder that the Teachers Pension Scheme employer contribution rates increased by 5%, coming into effect on 01 April 2024.

As ever, pay-related disclosures feature a number of times in the Accounts Direction, and there are a number of clarifications and new disclosures this year:

- 1 Where the Accounting Officer of the College is employed by another organisation, such as an HEI in their capacity as the parent entity, then the College must disclose in their financial statements and in the Finance Record the emoluments that person received as the College Accounting Officer and provide an explanatory note.
- 2 The definition of employee emoluments has been clarified that, for disclosure purposes, emoluments is before salary sacrifice deductions. Annex D Part (v) (e) has the full definition of what is included and excluded from employments, which is important for the higher paid staff note and Key Management Personnel disclosures.
- 3 Colleges must disclose in the current creditors note of their financial statements the holiday pay accrual figures for the current and prior year.

And finally, just to note, and as we hope you will already be aware, from January 2024, College financial data will be collected through DfE Sign-in and College staff will no longer be able to access IDAMS. Do check and re-check that you have signed up for the new sign-in as this portal, as this is now the only route that you will be able to upload your signed accounts, management letter and Finance Record to.







# Post-16 Audit Code of Practice 2024

**As with the College Accounts Direction, our expectation for change with regards to the Post-16 Audit Code of Practice (ACoP) 2024 was low and we were not disappointed – indeed there was a welcome relaxation that might have passed you by....**

**Firstly, let's deal with the run of the mill items in the 2024 ACoP:**

- As with the CAD, references to the COVID supplementary bulletins have been dropped.
- The term 'funding agreement' has been replaced with 'accountability agreement'.
- There is confirmation that the DfE will obtain an annual statement of assurance from each Mayoral Combined Authority (MCA)/GLA regarding the assurances they have gained over each provider. It also notes that findings from AEB funding audits will be shared between both bodies.

- A link to the 2023 report on Assurance Reviews for 2021 /22 has been included, which highlights the common 'compliance issues' found in order to help Colleges improve their compliance over funding claims.
- The ESFA's accounts submission requirements have been included in the ACoP for the first time – although there is nothing new in these requirements.

Finally, the welcome surprise! We knew that the DfE have been looking at the assurance framework in relation to separate grant funded programmes. They were responding to sector-wide concerns that disproportionate levels of assurance were being provided over specific funding streams. So it is welcome news that from 01 April 2024 onwards, the DfE will no longer require Colleges to complete and submit an audited Annex G return in respect of discrete areas of DfE funding.

There will be sample testing that may require a College to provide a return (akin to a funding audit) but unless selected the DfE will gain their assurance from the Accounting Officer's Statement of Regularity, Propriety and Compliance.



# What does the remainder of 2024 have install....



**2024 is set to be a year of change – with some 70 elections due to take place worldwide the political landscape is far from certain. However, we are expecting 2024 to offer the FE Sector some elements of certainty!**

## **Accounting year end**

Following reclassification, HM Treasury (HMT) notified the ESFA that it would seek to change the financial year end for further education institutions to 31 March. The ESFA has consulted on the proposed change and has responded to HMT notifying them of the operational difficulties in implementing such a change. A working group has been formed and is looking at how an assurance framework can be implemented that would allow the July year end to be retained whilst providing

interim assurance to HMT that can be incorporated into the Whole Government Accounts. We hope that this project will conclude this year and a decision will be made in time to be effective from 2026.

## **Financial Handbook**

As you will see from our article later in this Digest, the Financial Handbook was released in March 2024 and contained nothing new! Indeed it was a helpful consolidation of existing rules and regulations that also now include the Managing Public Money requirements of reclassification.

## **VAT126 status**

We had hoped this would be a key budget announcement and some very welcome news for the sector, but alas, there was little positive news from the Spring 2024 Budget. We remain optimistic that the FE Sector will be given the same VAT status that the academy sector currently enjoys.



# College Financial Handbook 2024



In our Spring edition of the Digest we highlighted the publication of the College Financial Handbook that comes into effect from 01 August 2024. Following its publication, we have provided a summary of the six main sections and the actions that a College might like to take. We have also included a list of the 'musts' contained within the Handbook. In doing so we are mindful that the Handbook is principal-based but does contain statutory and legal requirements so having those to hand, we felt, would be a useful tool in order to assess compliance.

## Starting with the sections of the Handbook

### Part 1 Roles and responsibilities

This section deals with the roles of the Accounting Officer, Chief Finance Officer, and Governance Professional (Clerk) – it is three pages long and should cover items already in place so shouldn't be a major concern.

### Part 2 Main financial requirements

The first part of this section covers financial oversight and control principles as well as financial planning (budget setting and monitoring). The second part deals with more specific items such as procurement and setting executive pay. The third part includes details on risk management, conflicts of interest, whistleblowing and related party transactions. Overall, Part 2 lends itself to a series of rules and actions that a College must undertake, and we would advise each College to perform a cross referencing exercise to ensure the financial procedures manual (or alternative) and scheme of financial delegation cover all of these 'musts'.

### Part 3

#### **The audit committee and internal review**

This section concerns itself chiefly with the roles and responsibilities of the audit committee. There are a number of bullet point 'musts' here – it would be advisable for the College's governance professional to mark off each of these points against terms of reference and governance documents.

### Part 4

#### **Annual accounts and external audit**

This is the shortest section of just three pages, and is largely cross referencing the Post 16 Audit Code of Practice and the College Accounts Direction.

### Part 5

#### **Delegated Authorities**

This is the largest section of the Handbook and picks up the majority of the new permission requirements following reclassification. As with Part 2, this section is largely a series of rules and actions that the College must undertake. Once again, we would advise each College to perform a cross-referencing exercise, to ensure the Financial Procedures Manual (or alternative) and scheme of financial delegation cover these 'musts' – hopefully our list will assist in this process.

### Part 6

#### **The regulator and intervention**

This section lists out the powers of the sector's regulators. It also details some of the College's responsibilities in relations to fraud, theft, irregularity and cybercrime – again, there is a cross-referencing task to ensure that fraud policies and cyber policies have been updated to reflect some of the 'musts' prescribed by the Handbook. Another task for the College's governance professional perhaps.





# The Economic Crime and Corporate Transparency Act

The **Economic Crime and Corporate Transparency Act (ECCTA)** has introduced significant reforms to address economic crime, prevent misuse of UK corporate structures, and enhance corporate transparency and oversight. Here is what education institutions should be aware of:

## 1 Applicability

The provisions of ECCTA apply to entities which fall under the following categories:

- Entities formed as a company limited by guarantee or company limited by shares
- Entities with a trading subsidiary established as a company limited by shares
- Entities with a corporate trustee

Note that certain part of the act only apply to large companies. Also note that whilst College corporations are not within this list themselves, their trading subsidiaries will be. So whilst this will have limited implications for the FE/HE sector it is important to understand the wider context as this affects Companies House as regulator.

## 2 Expanded Powers of the Registrar

The Registrar of Companies (Companies House) now plays a more regulatory role, beyond being a mere registrar of information, as new objectives are introduced to improve the accuracy and integrity of register information. These objectives include safeguarding against misleading or unlawful activity related to corporate structures.

## 3 Offence of Failure to Prevent Fraud

ECCTA imposes a legal duty on organisations to prevent fraud and emphasises the importance of prevention measures. Companies must demonstrate due diligence in preventing fraud to comply with the law.

The following steps can be taken now to prepare for the changes being introduced by the ECCTA:

- 1 **Review Your Corporate Structure** – Assess whether your entity or parts of your group falls into any of the categories covered by ECCTA, as described above.
- 2 **Update Internal Policies and Procedures** – Review and update your entities internal policies related to financial transparency, anti-fraud measures, and money laundering prevention.
- 3 **Enhance Due Diligence Processes** – Strengthen due diligence processes when dealing with financial transactions and be vigilant about identifying and preventing potential economic crimes.
- 4 **Train Staff and Trustees** – Educate your staff, Directors, and key personnel about the changes brought about by ECCTA and provide training on fraud prevention, reporting obligations, and compliance.

Compliance with ECCTA is crucial for maintaining transparency, preventing economic crime, and ensuring the effective governance of your group.

See our March edition of Not for Profit eNews, in which we noted the changes that ECCTA were bringing to Companies House.



# New Legal Framework for Education Institutions Bidding for Public Contracts

The landscape for bidding for public contracts is undergoing significant change with the introduction of the **Procurement Act 2023**. This new legal framework aims to simplify and enhance transparency in the procurement process.

Currently, the procurement activities of contracting authorities – such as central government, local authorities, and registered housing providers – are governed by the Public Contracts Regulations 2015. These regulations dictate how public contracts for goods, services, or works are awarded. However, the existing framework can be complex and bureaucratic.

The Procurement Act replaces the existing regulations with a streamlined and flexible procurement regime. Here are the key features that you need to be aware of:

## 1 Supplier Engagement

Entities can engage with contracting authorities from the pre-procurement market engagement stage. This allows suppliers to understand requirements early on and tailor their bids accordingly.

## 2 Contract Award

The Act aims to simplify procedures, making it easier for contracting authorities to choose suitable procurement methods. This procedure allows authorities to design their own procurement process while adhering to minimum requirements. The minimum requirements include:

- Contracting authorities must meet their contractual requirements through an advertised competitive contract award process. The process should be based on objective, relevant, and proportionate criteria.
- Authorities must publish contract award notices (CANs) to inform the market about awarded contracts.
- Authorities are required to provide assessment summaries to bidders. These summaries explain how their bids were evaluated and the reasons for the award decision.
- Before entering into a public contract, authorities must observe a 'standstill' period. This allows unsuccessful bidders to challenge the award decision if needed.

## 3 Contract Management

The Act emphasises transparency and requires greater visibility of supplier performance throughout the contract's lifecycle. Strengthened rules ensure that suppliers are paid promptly.



# Meet our Further & Higher Education sector experts



**Rakesh Shaunak**  
Managing Partner  
& Group Chairman



**Rachel Doyle**  
Partner



**Sudhir Singh**  
Partner  
Head of Not for Profit



**Stuart McKay**  
Partner



**Chris Rising**  
Internal Audit Director



**Andrew Matthews**  
Partner



**Mark Eagle**  
Audit & Outsource Director



**Rajeev Shaunak**  
Partner



**Nicola Mason**  
Director

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