Circular 01/04

For Information

Finance

Sector Accounting Policies and Return of Audited Financial Statements

Summary

The purpose of this circular is to provide guidance to colleges and external auditors on the preparation of their annual financial statements. The Council has consulted the major providers of external audit services and sector representatives on this guidance. This guidance supplements that in the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions. This circular is applicable for the year ending 31 July 2001, and highlights issues for future years, and is of interest to college principals, finance directors and external auditors. This circular replaces the Further Education Funding Council's circulars 99/23 and 00/22.

Supplements

A. Specific Guidance to Supplement the SORP

B. Audit Issues

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Annex A Cover Sheet for the Return of Audited Financial Statements and Finance Record for the Year Ended 31 July 2001

Further information

For further information, please contact the appropriate local Learning and Skills Council office, or write to:

The Learning and Skills Council
Cheylesmore House
Quinton Road
Coventry CV1 2WT

Enquires

Provider Financial Support
Tel 024 7649 3758
Fax 024 7649 3590

Summary

The purpose of this circular is to provide guidance to colleges and external auditors on the preparation of their annual financial statements. The Council has consulted the major providers of external audit services and sector representatives on this guidance. This guidance supplements that in the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions. This circular is applicable for the year ending 31 July 2001, and highlights issues for future years, and is of interest to college principals, finance directors and external auditors. This circular replaces the Further Education Funding Council's circulars 99/23 and 00/22

Sector Accounting Policies and Return of Audited Financial Statements

Part 1: Introduction

Introduction

1 The purpose of this circular is to offer guidance on the preparation of financial statements for the year ending 31 July 2001 and to identify issues that will require consideration for future years. The guidance provides additional information and supplements the *Statement of Recommended Practice: Accounting for Further and Higher Education Institutions (the SORP)*. Colleges may obtain further copies of the SORP from the Further Education Funding Council's website.

2 In publishing this guidance, the Council has consulted major providers of external audit services to sector colleges and sector representatives.

3 The Council's accounting policies for the sector are applicable to all colleges, regardless of their size, constitution or complexity. They are not currently applicable to external institutions, private training providers or other public bodies in receipt of Council funding.

4 The accounting policies need not be applied to immaterial items. Guidance on the determination of what is material may be found in statement 2.401 *The Interpretation of 'Materiality' in Financial Reporting* issued by the Council of the Institute of Chartered Accountants in England and Wales.

5 Following the changes in the arrangements for the audit of the individualised student record (ISR), the Council is in the process of revising the Audit Code of Practice. The updated code will include revised model engagement letters between colleges and their financial statements' auditors and revised model audit opinions. The Council recognises that colleges will need to have revised engagement letters in place prior to the audit of 2000/01 financial statements and, in order to give colleges early sight of these documents, has included various audit issues at Supplement B to this circular.

Structure

6 This circular is organised in the following way:

- part 1: introduction
- part 2: summary and discussion of new guidance
- annex A: cover sheet for return of financial statements.

Supplement A

- additional guidance to supplement the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions (this includes guidance previously published in FEFC Circulars 99/23 and 00/22 and areas where the SORP indicated that the relevant funding Council will issue further guidance)

- annex A: proforma members' report
- annex B: proforma internal financial controls: statement
- annex C internal controls.
- supplement B: Audit Issues.

Revisions to guidance

7 FEFC circular 00/22 took account of Financial Reporting Standards (FRSs) up to FRS 15 *Tangible Fixed Assets* and various exposure drafts. This circular considers:

- Urgent Issues Task Force (UITF) abstracts
  - 28: *Operating Lease Incentives*
  - 29: *Website Development Costs*
- FRS 17 *Retirement Benefits*
- FRS 18 *Accounting Policies*
- Accounting and Reporting by Charities: Statement of Recommended Practice
- Trustee Act 2000
- corporate governance
- FRED 22 - revision of FRS 3 *Reporting and Financial Performance*
- Going Concern and impairment reviews
- accounting for recovery of funds (tolerance account)
- changes in disclosure requirements for higher paid staff
- audit opinion
- engagement letter.

8 The following FRSs and UITF abstracts are not addressed on the grounds of their limited applicability to the sector:

- UITF abstract 24 *Accounting for Start-up Costs*
- UITF abstract 25 *National Insurance Contributions on Share Option Gains*
- UITF abstract 26 *Barter Transactions for Advertising*
- UITF abstract 27 *Revisions to Estimates of the Useful Economic Life of Goodwill and Intangible Assets*
- UITF abstract 30 *Date of Award to Employees of Shares or Rights to Shares*
- FRS 16 *Current Tax*
- FRS 19 *Deferred Tax.*

9 If colleges consider the guidance referred to in paragraph eight may be relevant to their particular circumstances, for example taxation, then they should discuss accounting treatments with their external auditors.

Return of audited financial statements for 2000/01

10 Each college will send an original signed copy of its audited financial statements for 2000/01, together with its signed finance record and disk and, if applicable, copies of the audited financial statements of its subsidiaries to the relevant local Learning and Skills Council (LLSC) office to arrive on or before 31 December 2001.

11 A cover sheet for the returns is attached at annex A to this circular.

Audit reports and management letters

12 External auditors should send a copy of the final version of their management letters, including college responses, to the head of the provider financial assurance function at the relevant LLSC, at the same time that they are sent to the college (by 31 December 2001).

13 External auditors are reminded that where they are unable to express an unqualified opinion on the college's financial statements, they should immediately communicate this to the principal, the chair of the corporation and the chair of the audit committee. They should also inform the executive director at the relevant LLSC. In the first year of operation of the LSC, they will also inform Brian Godbold, assistant director: national provider financial support team, at the national office.

Guidance

14 Colleges with queries on how to apply the Council's guidance on accounting policies to the particular circumstances of their own college may wish to consult their external auditors or the LSC. For the first year of operation of the LSC, this consultation should be through Brian Godbold, assistant director: national provider financial support team. In future years it is expected that contact will be through the relevant LLSC. For 2001, colleges wishing to make general points about the development of accounting guidance should contact Brian Godbold.

Approval of reports and financial statements

15 The reports and financial statements must be approved by the corporation. They will be signed and dated as follows:

- the members' report is signed and dated by the chair of governors on behalf of the corporation
- the balance sheet is signed and dated by the principal and one other member of the corporation, usually the chair of governors; the director of finance is not required to sign it
- the internal financial controls statement should be will and dated by the principal

16 These items will normally be signed on the same date. They must also be signed on or very shortly before the date on which the college's external auditors sign and date their audit report.

Part 2: Summary of New Guidance

Statement of Recommended Practice: Accounting for Further and Higher Education Institutions (the SORP)

17 The SORP was introduced last year to be effective for all accounting periods commencing on or after 1 August 1999. This continues to be the primary document to be followed by colleges. There are some areas where FE institutions are advised to seek further guidance on the requirements for their sector, that guidance is included in this circular.

18 It is also recognised that new FRSs are issued regularly and that they should be followed. In addition it is anticipated that the relevant funding councils may issue an *Accounts Direction*. This circular should be regarded as an accounts direction.

19 The SORP is intended to apply to all colleges, including voluntary aided sixth form colleges, voluntary controlled sixth form colleges and specialist designated institutions. Where these bodies are constituted as companies limited by guarantee they will follow the F&HE SORP with any additional disclosures required to comply with the *Companies Act 1985*.

20 In the small number of cases where the institution is a separate registered charity and less than 50 per cent of the income is from the Council then it is likely that application of the charities SORP will give a better representation of the institution's activities than the F&HE SORP. Where additional information is required under the F&HE SORP that information should be given by way of note. Where a college considers that it may fall in this group, then it should discuss the position with its external auditors and the Council (in this first year, this should be through Brian Godbold, assistant director: national provider financial support team).

Urgent Issues Task Force Abstracts

UITF abstract 28: *Operating Lease Incentives*

21 UITF Abstract 28 will be adopted for financial statements for accounting periods ending on or after 22 September 2001 in respect of lease agreements commencing in the current or preceding accounting period. Colleges are encouraged to adopt the treatment earlier but are not required to. They should adopt the treatment for the year ended 31 July 2002, at the latest.

22 The abstract addresses incentives that a lessor may provide to a lessee to enter into or renew an operating lease, particularly in respect of buildings. Colleges are more likely to be lessees.

23 All incentives will be recognised as an integral part of the payment for use of the leased asset irrespective of their nature.

24 The lessee should recognise the benefit of the incentive as a reduction of the rental

expense. The benefit will be allocated over the shorter of the lease term or the period until a full market rental will be payable. It is expected that the allocation will be on a straight-line basis.

25 The lessor will recognise the cost of the benefit as a reduction in rental income over the same period.

26 Where colleges have entered into facilities management contracts, they will need to consider the rental portion and whether there was an element of incentive. Colleges and their external auditors are advised to review contracts now to ensure that information will be available to enable them to comply with the abstract for 31 July 2002.

UITF abstract 29: *Website Development Costs*

27 UITF abstract 29 will be adopted for financial statements for accounting periods ending on or after 23 March 2001. Colleges should, therefore, adopt it for the year ending 31 July 2001.

28 This abstract addresses the accounting for the development costs of a website for an organisation's own use. The majority of colleges have developed websites and need to consider this abstract.

29 For these purposes the costs of developing a website are split into:

- planning costs (for example feasibility studies, selecting suppliers and consultants)
- application and infrastructure development costs (for example registering a domain name, purchase of necessary hardware and software)
- design costs (for example developing, design and appearance of website)
- content costs (for example preparing, accumulating and posting the website content)

30 Planning costs will be charged to the income and expenditure account as incurred.

31 Application and infrastructure development costs will be capitalised as tangible fixed assets and be depreciated over their estimated useful life. The estimated useful life is expected to be short.

32 Design and content development costs will be capitalised only to the extent that they create an enduring asset delivering benefits at least as great as the amount capitalised. For this to be the case the website will be capable of generating revenues directly, for example by enabling orders to be placed. This is highly unlikely to be the case for colleges, other than for some Learndirect provision. Even where there is some on-line enrolment there will be guidance taking place prior to enrolment. Colleges should therefore charge all website development costs to the income and expenditure account as incurred.

33 Expenditure to maintain or operate a website once it has been developed should be charged to the income and expenditure account as incurred.

New Financial Reporting Standards

Financial Reporting Standard 17 ***Retirement Benefits***

34 Following FRED 20, the Accounting Standards Board has issued FRS 17 on accounting for retirement benefits. The requirements of the FRS will be implemented in stages over three years to accounting periods ending on or after 22 June 2003.

35 The first set of disclosures are required for accounting periods ending on or after 22 June 2001. In the absence of any exemptions, these requirements would thus affect colleges for the current financial year to 31 July 2001.

36 The FRS introduces substantial changes from SSAP 24 reflecting a move towards the market value approach to the valuation of pension schemes and inclusion of an asset or liability, as appropriate, on the employer's balance sheet.

37 Specific changes from SSAP 24 are, for defined benefit schemes, that:

- scheme assets will be measured at fair value (basically market value) at the balance sheet date rather than at an actuarial value
- scheme liabilities will be measured on an actuarial basis using the projected unit method discounted at the current rate of return on a long-term AA corporate bond rate
- actuarial gains and losses (variations from regular cost) would be recognised immediately in the statement of total recognised gains and losses rather than spread forward in the profit and loss account, resulting in
- the surplus (subject to a recoverability test) or the deficit in the scheme being shown on the employer's balance sheet.

Teachers' Pension Scheme

38 The Teachers' Pension Scheme (TPS) is a defined benefit scheme and prima facie colleges would be expected to comply with the requirements of FRS 17. However, it is recognised that in a multi-employer scheme such as this the individual employers (that is colleges) may not be able to identify their share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis. In such cases the employer should account for the contributions to the scheme as if it were a defined contribution scheme with some additional disclosures.

39 On implementation of FRS 17, colleges should take advantage of this provision for the TPS.

40 The required disclosure is:

- that the scheme is a defined benefit scheme but that the college is unable to identify its share of the underlying assets and liabilities
- any available information about the existence of the surplus or deficit in the scheme and the implications of that surplus or deficit for the college
- the cost for the period
- any outstanding or prepaid contributions at the balance sheet date.

41 A proforma note is set out in supplement A to this circular.

Local government schemes

42 The position regarding local government schemes is less clear. Some schemes consider each employer's contributions separately whereas others have a flat rate contribution. Where the individual employers pay a specific contribution rate it is anticipated that it would be possible to separately identify their share of the underlying asset and liabilities. However, there is a concern that the information could not be obtained on a timely and reasonable basis, particularly for this first year of implementation of the FRS.

43 To meet the disclosure requirement for the first year colleges need to disclose:

- nature of scheme
- date of most recent full actuarial valuation
- contribution made in respect of the accounting period and any agreed contribution rate for future years
- assumptions for:
  - inflation
  - rate of increase of salaries
  - rate of increase for pensions in payment and deferred pensions
  - rate used to discount scheme liabilities
- their share of fair value of assets held by pension scheme at end of year analysed into:
  - equities
  - bonds
  - other
- fair value of share of scheme assets, present value of share of the scheme liabilities and resulting surplus/deficit, in note
- analysis of any amount in reserves relating to defined benefit pension scheme asset or liability.

44 For 31 July 2001, colleges should contact their pension scheme administrators to seek to obtain the information. They will be expected to be able to demonstrate to their external auditors that they have sought to obtain the necessary information.

45 Where the information is not available, colleges should make similar disclosures to those set out for the TPS.

46 Where colleges are currently making provisions under SSAP 24 for deficits in local government provision schemes, they will continue with those provisions for 2000/01.

47 Where colleges have provisions for future enhanced pension benefits for former employees, following early retirement, they should continue to be recorded as provisions and the relevant element of reserves will remain in the income and expenditure account and not as a separate reserve. These provisions are provisions under FRS 12 (Provisions, Contingent Liabilities and Assets) not experience surpluses or deficits under FRS 17 as they do not relate to past service. For better understanding of the nature of the provision they will cease to be named SSAP 24 provisions and will be referred to as 'enhanced pension provisions'. Any provision for enhanced pensions should be separately identified to a provision for deficit in local government schemes.

48 Many colleges are carrying historic provisions for enhanced pensions that were calculated on the basis of tables published by the Further Education Funding Council in 1994. These provisions may no longer represent the actuarial value of the college's future liability. The Council is considering a review of the carrying value of the provisions for 2002. In the interim, colleges may wish to commission their own actuarial review or revise their provisions using more up to date tables. Additional tables are available on the Higher Education Funding Council for England website hefce.ac.uk under 'Finance' and 'SSAP 24'. Where colleges are granting additional enhanced pensions, these tables or an actuarial valuation will be used.

Financial Reporting Standard 18 ***Accounting Policies***

49 Following FRED 21, the Accounting Standards Board has issued FRS 18 on accounting policies. FRS 18 will be adopted for financial statements for accounting periods ending on or after 22 June 2001. Colleges will adopt it for the year ending 31 July 2001.

50 The FRS differentiates between accounting policies and estimation techniques, which implement the measurement aspects of accounting policies.

51 The statement re-iterates the fact that an entity should adopt accounting policies that enable its financial statements to give a true and fair view and emphasises the underlying concepts of going concern and accruals.

52 Aspects of going concern and impairment reviews as they affect colleges are discussed at paragraph 82.

53 In setting accounting policies, regard should be had to the objectives of:

- relevance
- reliability (free from error or bias, prudent)
- comparability; and
- understandability

54 Comparability should be sought with similar information about the entity preparing the financial statements and with similar information about other entities. Such comparability should be achieved by applying the SORP.

Estimation techniques

55 Estimation techniques are required when a precise monetary amount cannot be measured. The most common example is depreciation.

56 A change to an estimation technique will be accounted for as a prior period adjustment unless:

- it represents the correction of a fundamental error; or
- another accounting standard, UITF abstract or legislation requires the change to be accounted for as a prior period adjustment.

Disclosures

57 There are no real changes to the disclosures required in relation to accounting policies:

- description of each of the accounting policies
- description of estimation techniques that are significant
- details of changes to accounting policies, including:
  - why
  - effect of any prior period adjustment
  - effect of the change on results for the prior period
  - effect of the change on results for the current period
- effect of any change to estimation techniques.

58 Accounting policies will be reviewed regularly to ensure they remain the most appropriate. Colleges will ensure that the finance committee or full corporation formally review the appropriateness of the accounting policies prior to approving the financial statements.

SORPs

59 Where financial statements fall within the scope of a SORP, as is the case for colleges, the title of the SORP will be stated, whether

the financial statements were prepared in accordance with the SORP's provisions currently in effect. In the event of any departure a description should be given including:

- the reason why the treatment adopted is judged more appropriate to the particular circumstances
- details of any disclosures recommended by the SORP which have not been given and why

60 It is noted that provisions of a SORP will cease to have effect where they conflict with a more recent accounting standard or UITF abstract.

Accounting and Reporting by Charities: Statement of Recommended Practice

61 A revised charities SORP (SORP 2000) has been issued. The requirements apply to accounting periods commencing on or after 1 January 2001. Colleges are not required to comply with SORP 2000, as they are required to comply with the Further and Higher Education SORP (subject to paragraph 20).

62 The SORP indicates that guidance will be given on the corporate governance statement and members' report. Proforma statements are given in supplement A. In drafting these proforma statements, the requirements for a trustees annual report have been considered.

Trustee Act 2000

63 Under section 19(4)(d) of the Further and Higher Education Act 1992, colleges have the power to invest any sums of money not immediately required for carrying out their activities.

64 Colleges have been advised that in making investments they were subject to the provisions of the Trustee Investments Act 1961.

65 The Trustee Act 2000 has amended the Trustee Investments Act 1961 and the amendments will apply to colleges who obtained powers to make investments after 1961.

66 The amendments include a new general power of investment, which allows any kind of investment (excluding land) in which trustees would be allowed to invest if they were the absolute owners of those funds. Power to invest in land is effectively given in a separate section.

67 In making investments colleges will have regard to the financial memorandum between the Council and colleges and any other terms and conditions attached to specific grants.

Corporate governance

68 In previous guidance the Further Education Funding Council has drawn colleges' attention to best practice in aspects of corporate governance and has required the principal, as accounting officer, to make a statement on the system of internal financial control of the college. The Council wishes colleges to continue to comply with appropriate current best practice. Both the Higher Education Funding Council for England (HEFCE) and the Charity Commission (in SORP 2000) have issued further guidance in this area.

69 Under SORP 2000 charity trustees will be required to make a statement in their annual report 'confirming that the major risks to which the charity is exposed, as identified by the trustees, were reviewed and systems established to mitigate those risks'.

70 The HEFCE's account direction for 2000/01 requires HE institutions to move towards incorporating the broader principles of corporate governance, covering internal controls over business, operational and compliance areas in addition to financial control. They will then be required to make disclosures about the systems that they have put in place.

71 Further education colleges are required to adopt a similar approach to corporate governance. Over the coming year the Council will issue guidance to colleges to assist them further to develop corporate governance procedures.

72 The majority of colleges will already be well advanced in their procedures as they have:

- formal committee structure with clear terms of reference
- self assessment procedures
- risk assessment as part of strategic planning and financial forecasting (see circular 01/01)
- registers of interests of corporation members; and
- internal audit

and already make a statement about internal financial controls.

73 Accordingly, colleges are asked to follow the same timetable as HE institutions, namely:

- Year ending 31 July 2001
  - colleges should disclose that they are in the process of establishing the necessary processes to comply with the key principles of corporate governance
- Year ending 31 July 2002
  - some colleges will be in a position to make a full compliance statement
- Year ending 31 July 2003
  - all colleges should be in a position to make a full compliance statement covering all aspects of internal control.

74 A significant part of incorporating broad corporate governance principles is the adoption of a risk-based approach to assessing the systems and controls.

75 In carrying out an assessment of their internal control system, it is suggested that institutions refer to the HEFCE guidance '*Risk management – a guide to good practice for higher education institutions*' published in May 2001.

76 When making a full compliance statement the disclosures will include an account of how the following broad principles of corporate governance were applied, particularly in relation to:

- the identification and management of risk which should be linked to the achievement of the college's objectives
- the approach to internal control, which should be risk-based including an evaluation of the likelihood, and impact of, risks becoming a reality
- review procedures, which must cover business, operational, compliance and financial risk
- risk assessment and internal control, which should be embedded in ongoing operations
- the governing body or relevant committee receiving regular reports during the year on internal control and risk

- reporting the principal results of risk identification, evaluation and management review and the governing body and their review.

77 The corporate governance statement is an integral part of the members' report.

78 In the interim the principal will continue to make a statement on the system of internal financial control. To avoid confusion the words 'corporate governance' are removed from the title of this statement. A proforma statement is included in supplement A.

79 To further assist colleges the checklist on internal financial controls included in Further Education Funding Council circular 99/23 is repeated at supplement A.

FRED 22 – *Revision of FRS 3 Reporting Financial Performance*

80 In December 2000 the Accounting Standards Board (ASB) issued FRED 22 seeking comments on proposed revisions to FRS 3 *Reporting Financial Performance*. The closing date for responses was 30 April 2001 and a Financial Reporting Standard has yet to be issued. It is not proposed that colleges seek to adopt the proposals in the FRED.

81 The FRED proposes fundamental changes to the format of the income and expenditure account, statement of total recognised gains and losses and note of historical gains and losses. It is anticipated that a revision to the SORP will be required to incorporate the proposals of any revised FRS 3.

The main proposals are:

- the income and expenditure account and the statement of total recognised gains and losses are combined to form a single statement of financial performance
- the performance statement shows all gains and losses recognised during the period that relate to that period
- the statement is divided into three sections:

  i. Operating

  ii. Financial and treasury; and

  iii. Other gains and losses
- recycling of gains and losses between different sections of the performance statement is not permitted
- a memorandum note of the historical cost gains and losses for the period may be presented if it would help users to understand the entity's performance. This would be required for colleges to show the difference between the historical cost depreciation charge (nil) for inherited assets and the actual depreciation charge, calculated on the revalued amount, included in the operating section
- a table of exceptional items reported over the last five years will be required.

Going Concern and impairment reviews

82 Where colleges and/or their external auditors have concerns about the appropriateness of the value of assets or the use of the going concern basis for the preparation of accounts they will contact the Council's director of finance and the executive director at the relevant LLSC.

Tolerance of over or under achievement against funding agreement

83 The arrangements for tolerance of performance against funding agreements are set out in the FEFC circular 00/16 *Monitoring Growth 1999/2000*. In FEFC circular 01/05 *Guidance on Funding Allocations 2001/02*, prepared on behalf of the Council, the Council published its agreement to maintain the 2% tolerance for 2001/02. It was stated that institutions should expect the system of tolerance to end in July 2002, along with the funding system brought forward from the Further Education Funding Council, and should plan accordingly. Institutions should therefore expect the Council to recover any negative balances remaining in the tolerance account at 31 July 2002.

84 As set out in Further Education Funding Council circular 00/16 recovery will be at the average level of funding (ALF) for the final year (ie the ALF for 2001/02).

85 Institutions, that do not expect to clear existing negative balances on their tolerance account, are invited to return these balances prior to July 2002. Recovery for any balances returned early will be at the rate at which those units were originally funded.

86 At the end of each financial year there is a presumed requirement to repay funds relating to any negative balance on the tolerance at the year-end. Full provision should be made within the accounts for that balance at the institution's average rate of funding for 2001/02. Colleges will not include a debtor for any positive balance on the tolerance account.

87 Recovery of any funds for underachievement in excess of 2% of the current year's target will be included in creditors due within one year.

88 Whilst institutions will plan to make up any negative balance by over-achievement in the following year, account should not be taken of expected future years over-achievement in calculating the level of provision required.

89 An example of the calculation of the value of the provision is given below, based on an ALF of £17.00 in 2001/02.

Example of the calculation of the value of provision

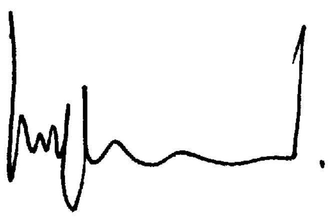
		Year 1 97/98 (units)	Year 2 98/99 (units)	Year 3 99/00 (units)	Year 4 00/01 (units)	Year 5 01/02 (units)
A	Balance carried forward	0	0	(1,900)	(900)	(1,900)
B	Target units	92,000	95,000	94,000	97,000	98,000
C	Actual units (audited out-turn)	92,000	93,000	95,000	96,000	97,500
D	Over/(under) achievement	0	(2,000)	1,000	(1,000)	(500)
E	Balance after over/ (under) achievement taken into account	0	0-2,000 = (2,000)	-1,900+1,000 = (900)	-900–1,000 = (1,900)	-1,900-500 = (2,400)
F	Max. tolerance available (2% of current year's target)	1,840	1,900	1,880	1,940	Nil (as last year of arrange-ment)
G	Recovery for year	0	(100)	0	0	2,400
H	Balance	0	(1,900)	(900)	(1,900)	0
	Creditors		100 x £16.80	-	-	2,400 x £17.00
	Provision		1,900 x £17.00	900 x £17.00	1,900 x £17.00	-

90 A suggested note under provisions is set out below:

Other provisions include £X relating to an underachievement of 1.8% of the college's 2000/01 funding allocation (The Learning and Skills Council operates a tolerance account whereby institutions can carry forward to a future year under- or over achievements of up to 2% of the current year's target). The college is planning to exceed its 2001/02 funding agreement by an equivalent amount and so does not expect to be required to repay this sum.

Accounting for Ufi

91 When accounting for funding and expenditure in relation to Ufi contracts, colleges will follow the guidance in supplement A on associates, joint ventures and partnerships.



John Harwood, Chief Executive

Annex A: Cover Sheet for the Return of Audited Financial Statements and Finance Record for the Year Ended 31 July 2001

101 Lockhurst Lane
Foleshill, Coventry
CV6 5SF
T 024 7658 2761
F 024 7658 2738

www.lsc.gov.uk
info@lsc.gov.uk

(Reference Circular 01/04)

This cover sheet must be completed by all colleges.Please photocopy, complete and return to the relevant Local Learning and Skills Council office by 31 December 2001.

Name of college *(please print)*
Code
Contact name for queries *(please print)*
Telephone no.

Learning+Skills Council

Returns enclosed *(please tick)*

1 One signed copy of the college's audited financial statements for 2000/01 ❑

2 One signed paper copy of the college's finance record for 2000/01 ❑

3 One copy of the finance record on disk ❑

4 One copy of each of the college's subsidiary undertaking's audited financial statements for 2000/01.* ❑

**if these accounts have not yet been signed please return an unsigned copy indicating when you expect to be able to forward a signed copy*

This publication is available in an electronic form on the Council's website: www.lsc.gov.uk

Reference CIRC/0034/01