

## FEHE SORP Guidance Note 2021

### Background

1. The FEHE SORP Board is the body recognised by the Financial Reporting Council (FRC) as the SORP-making body for further and higher education.
2. The SORP Board uses the British Universities Finance Directors Group - Financial Reporting Group (BUFDG FRG) as its technical working group to put proposals to the SORP Board for consideration. *Amendments to UK and Republic of Ireland accounting standards – UK exit from the European Union* was issued by the FRC in December 2020. The amendments update FRS 102 for changes in UK company law following the UK's exit from the European Union. The amendments have been reviewed for changes to the SORP to ensure it reflects the existing requirements of FRS 102 and relevant legislative requirements.
3. The following guidance issued by the SORP Board updates the 2019 edition of the SORP ('2019 SORP') for the amendments noted above. The amendments made to the 2019 SORP by the guidance are applicable for accounting periods beginning on or after 1 January 2021. Early application is permitted as set out in paragraph 1.32 of FRS 102. For accounting periods beginning on or after 1 January 2021, the 2019 SORP must be read in conjunction with this guidance.
4. **Financial Reporting Council's statement on the *Statement of Recommended Practice: Accounting for further and higher education – Guidance Note 2021***

The purpose of the Financial Reporting Council (FRC) is to serve the public interest by setting high standards of corporate governance, reporting and audit and by holding to account those responsible for delivering them. In relation to accounting standards applicable in the UK and Republic of Ireland, the FRC's overriding objective is to enable users of accounts to receive high-quality understandable financial reporting proportionate to the size and complexity of the entity and users' information needs. In particular industries or sectors, clarification of aspects of those standards may be needed in order for the standards to be applied in a manner that is relevant and provides useful information to users of financial statements in that industry or sector.

Such clarification in connection with accounting standards is issued in the form of Statements of Recommended Practice (SORPs) by bodies recognised for this purpose by the FRC. The FEHE SORP Board has confirmed that it shares the FRC's aim of high-quality financial reporting and has been recognised by the

FRC for the purpose of issuing SORPs for the further and higher education sectors.

In accordance with the FRC's Policy on Developing SORPs the FRC carried out a review of Guidance Note 2021 focusing on those aspects relevant to the financial statements but also including aspects relevant to the FRC's broader responsibilities when appropriate.

On the basis of its review, the FRC has concluded that Guidance Note 2021 has been developed in accordance with the FRC's Policy on SORPs and does not appear to:

- a. contain any fundamental points of principle that are unacceptable in the context of present financial reporting practices;
- b. conflict with an accounting standard; or
- c. undermine the FRC's broader objectives.

27 July 2021

## Updated guidance

2019 SORP	Amendments  (Deleted text is struck through, inserted text is underlined - both in red)
<b>Section 1: Scope</b>	
1.7 In the event that an institution is required by legislation, or chooses, to comply with standards and interpretations issued (or adopted) by the International Accounting Standards Board that have been adopted in the European Union (EU-adopted IFRS), then it should use this SORP as guidance to the extent that it does not conflict with the requirements of EU-adopted IFRS.	1.7 In the event that an institution is required by legislation, or chooses, to comply with standards and interpretations issued (or adopted) by the International Accounting Standards Board that have been adopted in the <del>European Union (EU-adopted IFRS)</del> , <u>UK (UK-adopted IAS)</u> , then it should use this SORP as guidance to the extent that it does not conflict with the requirements of <del>EU-adopted IFRS</del> <u>UK-adopted IAS</u>
<b>Section 3: Financial Statement – Presentation and Narrative Reporting</b>	
3.4 An institution that chooses to provide information described as segmental information must follow the requirements of IFRS 8: Operating	3.4 An institution that chooses to provide information described as segmental information must follow the requirements of IFRS 8: Operating

<p>segments (as adopted in the EU). Any other disclosures of disaggregated financial information must not be described as segmental information.</p>	<p>segments (as adopted in the <del>EU</del> UK). Any other disclosures of disaggregated financial information must not be described as segmental information.</p>
<p><b>Section 6: Financial Instruments</b></p>	
<p>6.2 When accounting for its financial instruments, an institution must choose to apply either:</p> <p>a) the provisions of both Section 11 and Section 12 of FRS 102 in full; or</p> <p>b) the recognition and measurement provisions of IAS 39: Financial instruments: Recognition and measurement (as adopted in the EU), the disclosure requirements of Section 11 and Section 12, and the presentation requirements of paragraphs 11.38A and 12.25B of FRS 102; or</p> <p>c) the recognition and measurement provisions of IFRS 9: Financial instruments (as adopted in the EU) and IAS 39 (as amended following the publication of IFRS 9), the disclosure requirements of Section 11 and Section 12, and the presentation requirements of paragraphs 11.38A and 12.25B of FRS 102.</p>	<p>6.2 When accounting for its financial instruments, an institution must choose to apply either:</p> <p>a) the provisions of both Section 11 and Section 12 of FRS 102 in full; or</p> <p>b) the recognition and measurement provisions of IAS 39: Financial instruments: Recognition and measurement (as adopted in the <del>EU</del> UK), the disclosure requirements of Section 11 and Section 12, and the presentation requirements of paragraphs 11.38A and 12.25B of FRS 102; or</p> <p>c) the recognition and measurement provisions of IFRS 9: Financial instruments (as adopted in the <del>EU</del> UK) and IAS 39 (as amended following the publication of IFRS 9), the disclosure requirements of Section 11 and Section 12, and the presentation requirements of paragraphs 11.38A and 12.25B of FRS 102.</p>

27 July 2021