



Spring 2026

# Higher and Further Education Briefing

HaysMac<sup>★</sup>



## CONTENTS

|   |           |
|---|-----------|
| <b>Welcome</b>  | <b>1</b>  |
| <b>The New CUC Higher Education Code of Governance: Key implications</b>  | <b>2</b>  |
| <b>Higher Education accommodation law changes: A new era for student housing</b>                                | <b>6</b>  |
| <b>Franchising in UK Higher Education</b>   | <b>10</b> |
| <b>Turning Innovation into income: How university trading subsidiaries can benefit from R&amp;D tax credits</b> | <b>12</b> |
| <b>Recovering VAT on capital spend: How the Capital Goods Scheme can unlock significant value</b>               | <b>14</b> |
| <b>Strengthened accountability: Key changes to College Accounts Direction in 2025–26</b>                        | <b>16</b> |
| <b>Leases - changes under the new further and higher education SORP</b>   | <b>18</b> |
| <b>Embedding Sustainability Across the FE/HE Curriculum</b>   | <b>20</b> |

# Welcome



**Steve Harper**

Partner, Head of Social Purpose  
T: +44 20 7898 3567  
E: sharper@haysmac.com

*Welcome to our Spring 2026 edition of HaysMac's Higher and Further Education Briefing.*

It remains a challenging time for both the Further and Higher Education sectors, with financial sustainability remaining very high on the agenda for most institutions. Continued uncertainty is certain to dominate the coming months and years, including the effect of events in the Middle East on the global economy.

Governance remains a key topic in the Higher Education sector following the Gillies Report into the University of Dundee. In April 2026, the Committee of University Chairs released a draft of its fundamentally revised Higher Education Code of Governance Code. In our first article, I explore some key aspects of the revised Code in relation to financial governance.

Regulatory expectations of both the Further and Higher Education sectors remain high, and this thread runs through our Briefing. Richard Weaver, Partner, covers the impact of the Renters Rights Act on the sector in his first article. Georgia Piper, Senior Manager, then covers franchising in Higher Education which has been a significant area of regulatory focus for the Office for Students.

Turning to future opportunities – Richard's second article, co-authored with Jack Williams, Senior Manager, considers how university trading subsidiaries can benefit from Research and Development tax credits.

Similarly Dougie Todd, Partner, considers how the operation of the Capital Goods Scheme can be applied when considering major capital projects.

Turning to Further Education, the Department for Education has issued its annual revisions to the College Accounts Direction and College Financial Handbook. In his article Tom Beswick, Manager, covers the key changes arising from both documents.

Both the Further and Higher Education sectors are looking ahead to the implementation of the new SORP. In our discussions with clients, the revised leasing requirements are typically the most complex areas to apply. Emma Gabe, Senior Manager, assesses the key changes arising from the new lease requirements and how institutions can be prepare themselves in advance of implementation for their 31 July 2027 year ends.

Finally, guest author Martin Baxter, Deputy CEO, Institute of Sustainability and Environmental Professionals (ISEP) considers the key skills for high-performing sustainability and environmental professionals, and the integration of sustainability into curricula.

We hope you enjoy this briefing and find our articles useful to your institution. If anything sparks your interest, or you'd like to explore any of the issues further, please feel free to reach out to me directly, the article author, or your usual HaysMac contact.

# The New CUC Higher Education Code of Governance: Key implications

In April 2026, the Committee of University Chairs (CUC) released a draft of its fundamentally revised Higher Education Code of Governance (Code), set to **replace the 2020 edition**.

The development of this draft followed an extensive sector-wide consultation, including calls for evidence, workshops, and interviews with hundreds of governors. Oversight was provided by a steering committee with broad cross-sector representation, ensuring that the resulting Code reflects the current realities and challenges across the sector.

The revised Code signals a significant shift in governance expectations for Higher Education Institutions. Recognising the sector's increasing complexity, characterised by uncertain student recruitment and financial pressures, the new Code has been designed from first principles. It aims to address governance issues, including those highlighted in the Gillies Report on the University of Dundee, and sets a new benchmark for board effectiveness and accountability.

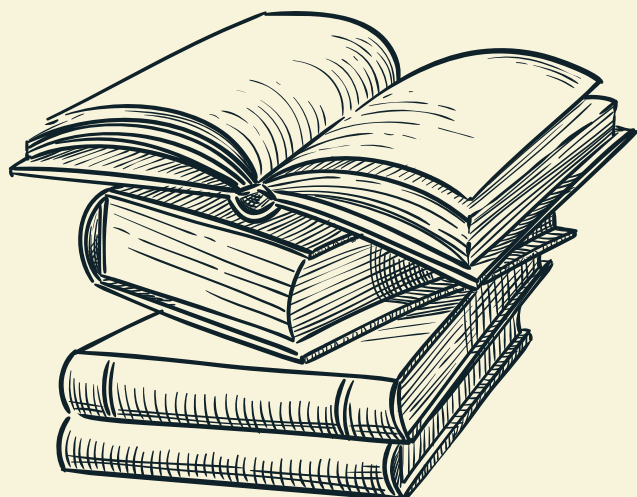
Almost entirely rewritten, the new Code introduces strengthened requirements and a suite of new provisions. Notable areas addressed include:

- ◆ Culture and behaviours across the institution
- ◆ Board oversight of strategy, sustainability, risk, and assurance
- ◆ Clearly defined board primacy in academic assurance
- ◆ Explicit expectations for board self-assessment and approval of its own performance

Boards are required to undertake regular, independent effectiveness reviews, underscoring the importance of ongoing transparency regarding performance and development. The emphasis has shifted from mere procedural compliance to the cultivation of healthy culture and behaviours, recognising that effective governance is fundamentally built on relationships, challenge, curiosity, and trust.

The new Code is more prescriptive, with provisions categorised as “must” or “should.” “Should” provisions operate on an “apply or explain” basis, requiring institutions to either comply or provide a robust rationale for alternative approaches. Six core areas are defined – leadership and purpose, culture and behaviours, strategy, board structure and composition, academic governance, and board development and performance – with minimum expectations articulated for each. Where circumstances warrant, boards must clearly explain how they meet the intent of the Code, even if not its letter.

Importantly, the Code acknowledges governance as a partnership between executive and non-executive board members, while maintaining ultimate accountability with the board. Some elements from the previous Code have been removed to streamline the document and enhance its practical utility. While inclusion and diversity no longer have a discrete section, their importance is explicitly recognised in the context of board composition and institutional culture.



The Code is designed to avoid becoming a “tick-box” exercise, instead promoting qualitative evaluation of the culture, behaviours, and structures underpinning effective governance. Such evaluation demands thoughtful analysis and informed judgment.

### Financial governance: key areas

Two areas of particular relevance to senior financial leaders are financial sustainability and risk management. The Code sets out clear expectations for board-level scrutiny and assurance in each area.

#### *Financial sustainability*

In response to sector-wide financial challenges, the Code requires boards to:

- ✦ Scrutinise institutional financial performance, including the institution’s income statement and cashflow through forecasts, scenario modelling and stress testing. This should include a range of scenarios and plans in place to address them.
- ✦ Be provided with comprehensive, timely and accurate information over financial performance and position, which includes leading indicators and prudent forecasts.
- ✦ Scrutinise the institutional financial position, including the institution’s balance sheet and long term financial risks such as estate liabilities, pension exposure and the viability of the capital programme.
- ✦ Scrutinise the potential financial impact on the institution of significant change in operations, investments or change programmes.

For committees, this translates to the need for assurance on:

- ✦ Medium and long-term sustainability, not just in-year results
- ✦ Alignment between financial strategy and overall institutional strategy
- ✦ Capacity to withstand plausible downside scenarios
- ✦ Greater reliance on forward-looking indicators rather than historic performance

Critical considerations for committees include ensuring that sustainability discussions remain strategic rather than technical, and that the governing body is fully briefed on key assumptions underpinning financial forecasts.

### Risk management

The Code raises the bar for risk maturity, requiring boards to:

- ✦ The Board must ensure that the development of the institutional strategy is underpinned by robust identification and assessment of risk and opportunity.
- ✦ The Board must determine and regularly review the institution’s risk appetite, ensuring it is clearly articulated, understood and applied consistently across the organisation.
- ✦ The Board must approve and oversee a comprehensive risk management and internal control framework aligned to the institution’s strategy, operating model and regulatory environment. This will require the Board to consider a clear articulation of the risks the institution faces, the key controls in place to mitigate each of those risks and the level of mitigation provided by these controls.



Committees must be able to provide assurance on the same areas highlighted under financial sustainability, with additional emphasis on:

- ✦ Understanding what could lead to financial failure or material strategic harm
- ✦ Evaluating management's response plans under stress scenarios
- ✦ Embedding scenario modelling as a core governance tool

Risk registers alone will not be sufficient evidence of effective oversight. Boards are expected to ensure that financial scenarios are explicitly linked to risk appetite and that downside planning is integrated into budget-setting and capital decision processes.

### Action points

We expect the Code to link to several key trends in governance. It is increasingly important that boards have clear, documented evidence for decisions, considering the rationale and assurance for those decisions. Further, discussions and considerations around financial sustainability must be integrated with strategic planning and risk management.

The draft Code's implications are clear: leaders in Higher Education Institutions must undertake a thorough review of current practices against the new principles. Once finalised, boards should receive an "apply or explain" statement following appropriate committee scrutiny. Relevant expectations should be embedded in committee terms of reference and annual governance and financial reporting cycles. These steps should also inform the next internal governance review.

As the sector adapts to this new Code, HaysMac recommends that sector leaders take a proactive approach to mapping compliance and driving meaningful governance improvements, ensuring robust stewardship and sustainable success for their institutions.



**Steve Harper**  
Partner, Head of Social Purpose  
T: +44 20 7898 3567  
E: sharper@haysmac.com



# Higher Education accommodation law changes: A new era for student housing

The legal framework governing student accommodation in the UK is undergoing one of its most significant transformations in decades. At the centre of these changes is the Renters' Rights Act 2025, a landmark reform that reshapes how housing is rented, managed, and regulated **particularly affecting students, landlords, and higher education institutions.**

For years, student housing has operated on a relatively predictable cycle. Most students in the private rental sector signed fixed-term contracts, typically lasting 12 months and aligned with the academic year. While this system offered stability for landlords and universities, it often left students locked into contracts even when they no longer needed accommodation, such as during summer months.

The Government introduced reforms to create a fairer, more flexible rental system, aiming to improve tenant rights and address longstanding issues in the private rented sector.

## So what has changed?

### 1. Abolition of fixed-term tenancies

One of the most significant changes is the abolition of Assured Shorthold Tenancies (ASTs). These are being replaced with periodic (rolling) tenancies, which have no fixed end date. The implications are that students can now leave accommodation with two months' notice at any time, contracts are no longer tied to the academic year and landlords lose the ability to rely on automatic end-of-term possession.

This reform is expected to come into force from **May 2026**.

### 2. End of "no-fault" evictions

The Act also abolishes Section 21 "no-fault" evictions, meaning landlords must provide a valid legal reason to reclaim their property.

This strengthens tenant security but reduces flexibility for landlords managing student turnover. It could also lead to a risk that the tenant decides not to leave when the landlord would like them to leading to a reduction in available accommodation supply at the right time for new students joining at the start of the academic year.

### 3. New grounds for possession

To address concerns in the student market, the law introduces new possession grounds for student Houses in Multiple Occupation (HMOs) although this does not apply to smaller properties (e.g., one or two-bedroom flats)

This partial coverage may create uneven impacts across the sector.

### 4. Exemptions for universities and purpose-built student accommodation (PBSA)

Importantly, not all student housing is treated equally. University-owned accommodation and many PBSA providers remain exempt and can still use fixed-term agreements aligned with academic cycles.

This preserves operational stability for universities managing large student populations.

### 5. Additional regulatory developments

Complementary regulations, such as the Student Accommodation Regulations 2026, are expected to refine standards and codes for providers, particularly around quality and management practices. The Housing Act 2004 introduced licensing for houses in multiple occupation in England and Wales, although higher education bodies are exempt from these regulations provided they sign up to one three codes of practice approved by Parliament.

The Accommodation Code of Practice (ACOP) for managed student accommodation has recently been revised and came into force in May 2025. This code has increased the number of requirements on universities from 89 to 252, all of which are now mandatory. It has new sections on sustainability and wellbeing of students and introduced a requirement to self-audit.

Whilst there is an acceptance that a lot of the requirements might be very granular and low level, they are also, in many cases, easy to address in practice. The concern in the sector is what the regulators are going to do with the reports as they do not have to submit the results of the self-audit, but the Code reserves the right to request the reviews (which the university needs to retain for six years). And what, if any, obligations do the auditors have if a university continues to have deficiencies in self-audit? Again, this is unclear.

Uncertainty exists as to whether there are requirements that are more important than others; or is there a range for compliance to be considered acceptable. Nobody really knows the answer. Will remedial works lead universities to consider whether some form of financial fund will be needed to help finance the remedial actions needed to ensure they are able to meet the increase in regulatory requirements and if so, where will the money come from to finance such a 'sinking fund'? Will this be an additional levy or contribution from those students who pay for the accommodation?

## Impacts on students

The change in the regulations for students where they rent privately have advantages and disadvantages. The advantages are greater flexibility to leave contracts early, improved legal protections against eviction and potential cost savings (e.g., avoiding unused summer rent). On the other hand, the challenges might be increased uncertainty in shared housing (one tenant leaving may affect others) and the risk of reduced housing supply and rising rents to cover the increased risks for landlords.

Recent reporting suggests some students may leave accommodation earlier in the year, potentially saving money but disrupting traditional housing patterns.

### *Private landlords*

Landlords face substantial adjustments which include loss of predictable annual rental cycles, the increased risk of mid-year vacancies and more complex legal processes for regaining possession

These pressures may lead some landlords to exit the student market, reducing available housing.

### *Universities*

For the higher education institutions themselves, there is a need to reassess any accommodation guarantees, review and strengthen partnerships with private providers and ensure compliance with evolving regulations not only for private landlords but also their own compliance with the code.

While exemptions protect university-managed housing, indirect effects like reduced private supply, could increase pressure on campus accommodation.

The reforms could reshape the student housing landscape in a number of ways, including

- ✦ **Shift toward PBSA:** As private landlords face more regulation, will this lead to a greater demand for purpose-built accommodation? Will these be privately funded or will universities be seeking funding to build themselves?
- ✦ **Market contraction risks:** Fewer landlords could mean higher rents and limited availability. How will this impact student decisions about which university to select.
- ✦ **Changing student behaviour:** Greater mobility may alter how and when students choose housing.

Critics warn that disruptions to the traditional academic housing cycle could affect access to higher education, as accommodation availability plays a key role in university choice.

## Conclusion

The changes to higher education accommodation law represent a fundamental shift in balancing tenant rights and market stability. While students gain flexibility and protection, the reforms introduce uncertainty for landlords and operational challenges for universities. For universities own accommodation, the increase in the number of areas that they need to comply with have increased significantly and the implications for non-compliance in totality with the code is leading to uncertainty in an environment where there is already significant pressures.

As the new system beds in from 2026 onwards, its long-term success will depend on how effectively policymakers, institutions, and housing providers adapt to a more flexible but less predictable rental environment.



**Richard Weaver**

Partner

T: +44 20 7969 5567

E: rweaver@haysmac.com

# Franchising in UK Higher Education

With the higher education sector under a number of conflicting pressures, including financial difficulties, volatile student recruitment numbers and internal restructuring, many are using franchising or subcontracting arrangements/partnerships as a way to diversify and increase their income at a lower cost investment. However, there are risks concerned with these arrangements that must be **appropriately managed by providers, which has become even more important recently.**

In March 2026, more than 20,000 students received communications from the Student Loans Company (SLC) suggesting that they were never eligible for loans and grants provided to them, due to the types of courses they were registered on. Many of these courses were part of franchising arrangements. In April 2026 the Government announced that these grant repayments would not need to be repaid immediately and affected students would receive updated communication from the SLC to outline the next steps. These loans and grants will not be received going forward for affected courses, and work to correct and clarify courses between the SLC and providers is ongoing.

***Please note at the time of writing this is a quickly evolving situation, and we expect further communication in the upcoming weeks and months.***

## Benefits of franchising arrangements

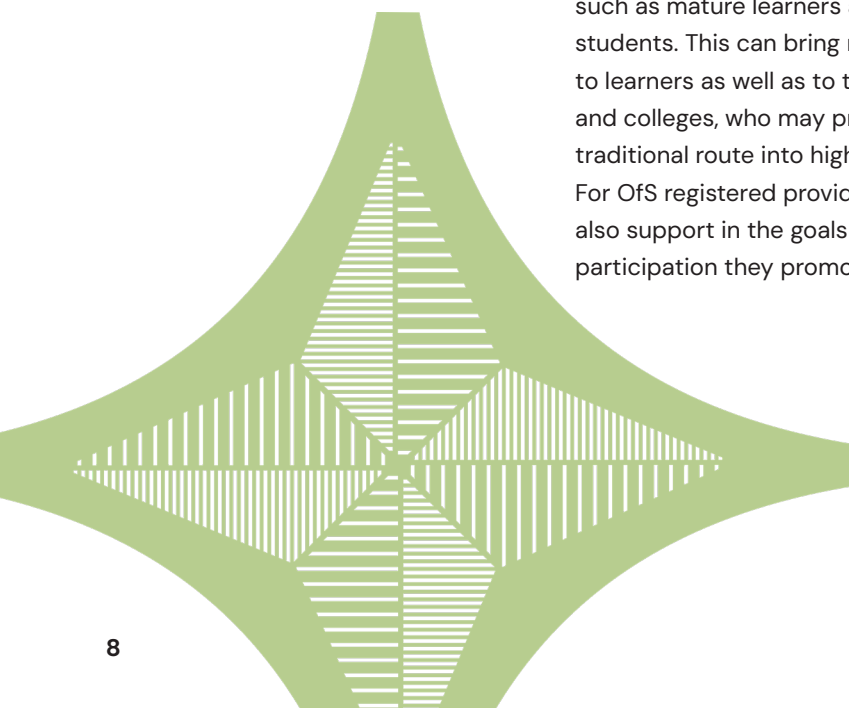
Higher education providers are under pressure to increase their income, however increasing student numbers can lead to high costs of staff recruitment and capital spend on improvements and expansion to campuses. These costs are incurred ahead of the full impact of the income generated, and for providers who are experiencing cashflow issues this may not be an option. Franchising arrangements allow for this income to be generated without this cash outflow, resulting in cost efficient growth and use of existing resources.

Partners who work with higher education providers can often be used to reach students who may not otherwise be able to access these courses. Partners can be sought in underserved communities, and support non-traditional students such as mature learners and part time students. This can bring real benefits to learners as well as to the universities and colleges, who may prefer a less traditional route into higher education. For OfS registered providers this can also support in the goals of widening participation they promote.

For higher education providers who want to promote their provision, working with partners in other geographical areas or with different types of students allows for an extension of the provider's brand. There are also cases where these arrangements support local need through targeted vocational training. Visibility of the providers beyond their main campus can further assist with future income generation and build stronger pathways between further and higher education for students.

## Things to consider

Degrees are still awarded by the higher education provider even when the delivery is outsourced to a partner. Therefore, it is important for providers to consider how they can ensure that students are receiving tuition to the same academic standard as they would if taught by the provider themselves. Providers must consider how they can be assured by the quality of delivery and that academic standards are upheld. Bodies such as the Quality Assurance Agency for Higher Education have flagged inconsistencies in quality across these arrangements. If a partner isn't providing education to the quality expected, then there can be reputational risks for the providers; students have the same university awarding their degree and so poor quality education is likely to adversely impact the higher education provider.



Partners are usually incentivised to recruit students, which increases the risk that admissions standards will be weaker and enrolled students may not be either eligible for courses or fully informed of the course specifics. It has been suggested that this could lead to a two-tier system within a degree, and we have seen recently the impact of enrolling students on courses which exclude them from accessing student loan finance. Transparency in recruitment is important, to ensure that students understand who is delivering the tuition and who is responsible for the education they receive.

Higher education providers must ensure that they have appropriate oversight of their partners, and with multiple partners across different regions, different countries and for different course delivery this oversight can become increasingly difficult. Where agreements are negotiated with partners on a case-by-case basis, this oversight can be even more complicated. We've seen in the last 18 months situations such as the review into Oxford Business College where there were allegations of fake students, students not meeting entry criteria and fraudulent documentation provided to the SLC. Before entering into these arrangements it's important for higher education providers to ensure they have the appropriate practises in place to adequately govern the work of the franchise partners to prevent regulatory and compliance issues.

## Practical mitigations

What can higher education providers do to make sure that their franchising arrangements are successful and prevent potential future issues?

Providers should undertake appropriate due diligence on potential partners before arrangements are entered. This may include looking at history of compliance, the track records of partners in delivering quality education, governance structures and staff capability. This reduces the risk that partner organisations will fail to meet expectations or breach regulatory compliance.

Agreements should include defined responsibilities for the partner, including admissions, teaching and assessment. The higher education providers should offer guidance on how their own academic quality can be maintained by partners and what their expectations are.

Higher education providers should also discuss with partners how they will maintain oversight of the partners activities, including through data sharing and rights to review or audit of the processes and controls in place at the partner through ongoing monitoring. By completing reviews regularly throughout the arrangements, higher education providers may detect early warning signs of issues, which can then be resolved quickly to prevent failure of delivery of the arrangement.

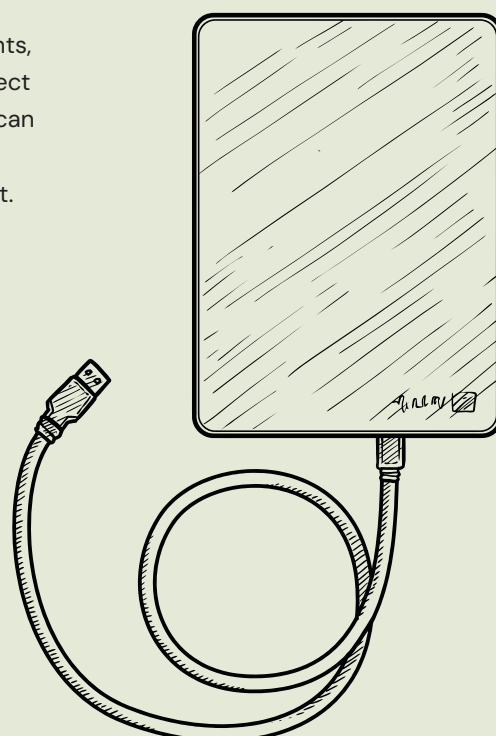
## Conclusion

Franchising arrangements can give some real benefits to higher education providers, partners and students, but there are considerations that providers need to have to ensure that they are governing the arrangements appropriately.

The benefits of growth, student access and revenue generation must be delicately balanced with appropriate oversight, quality of provision and alignment with the providers own reputation.



**Georgia Piper**  
Senior Manager  
T: +44 20 7969 5550  
E: [gpiiper@haysmac.com](mailto:gpiiper@haysmac.com)



# Turning Innovation into income: How university trading subsidiaries can benefit from R&D tax credits

As financial pressures on UK universities grow, trading subsidiaries are increasingly vital for commercialisation, research funding and revenue diversification. An underused opportunity is R&D tax credits, which allow qualifying companies to reduce Corporation Tax or claim a payable credit on innovation-related spend.



For university finance directors, understanding eligibility and structuring claims effectively can unlock significant value.

## University versus trading subsidiary

R&D tax relief is available to UK registered companies subject to Corporation Tax. As such, universities themselves typically cannot claim due to their charitable status, but their trading subsidiaries, structured as limited companies, generally can.

## What finance directors need to verify

Qualifying R&D must:

- ✦ Attempt to achieve an advance in science or technology
- ✦ Address scientific or technological uncertainties
- ✦ Relate to the company's trade and not pure academic research

Careful consideration must also be paid to:

- ✦ Which entity incurs the costs of carrying out R&D
- ✦ Contractual arrangements with your customers
- ✦ The territory in which R&D is carried out

## Opportunity

Under the R&D Expenditure Credit scheme (RDEC) eligible projects can receive net tax benefits of approximately 15% of qualifying expenditure. For profitable companies, the credit works to reduce your tax liabilities to HMRC, or in the case your subsidiary has made a tax loss, they can be eligible to receive a cash payment.

Research required to deliver on commercial contracts can yield significant benefits, though care should be paid to the engagement terms you have with your customers, when determining who has the right to claim for the work.

Grant funded R&D undertaken within a university group can, if structured correctly, also represent a valuable opportunity for trading subsidiaries to access R&D tax credits.

In any case where R&D activity is subcontracted by a university to its subsidiary, care must be taken to ensure the arrangements have genuine commercial substance and won't fall foul of anti-avoidance rules.

## Next steps

R&D tax credits present a significant opportunity for trading entities within a wider university group, provided their work is structured, governed, and documented correctly.

For university finance directors, the priority is to:

- ✦ Review whether your organisation is carrying out eligible R&D activity
- ✦ Ensure that contractual and group structures support the right to claim
- ✦ The above being satisfied, notify HMRC of your intent to claim within six months of your accounting period end to protect your right to claim

If any universities believe that they are eligible to make a claim through their subsidiary entities, if that trading entity has its reporting period aligned with the academic year ended 31 July 2026, then they **must notify HMRC by 31 January 2027**.

If you need assistance in reviewing your R&D activity, customer engagements or group structure, please don't hesitate to reach out.



**Richard Weaver**

Partner

T: +44 20 7969 5567

E: rweaver@haysmac.com



**Jack Williams**

Senior Manger

T: +44 20 7770 6515

E: jwilliams@haysmac.com

# Recovering VAT on capital spend: How the Capital Goods Scheme can unlock significant value



VAT recovery on capital projects continues to be a live issue across the higher and further education sectors. With estates strategies becoming increasingly commercial and institutions under growing financial pressure, many universities and colleges are both examining whether historic capital expenditure could generate additional VAT recovery and **how VAT should be applied on new and future projects.**

At the centre of this sits the Capital Goods Scheme (CGS), a long standing but often mis-applied mechanism designed to ensure that VAT recovery keeps pace with how a building or asset is actually used over time.

## The starting point: VAT recovery

Most core teaching in universities and colleges is VAT exempt or is not a business activity – these two things are very different from a VAT perspective but for the purposes of this article have broadly the same impact – irrecoverable VAT costs. VAT on costs is only recoverable to the extent those costs support taxable activities undertaken in the course of business. In practice, many institutions will have a single recovery method combining non-business and exempt income, but in this article we have assumed there is a two stage process of identifying both business and taxable supplies.

In the higher and further education context, taxable, business supplies typically include:

- ✦ Commercial research and consultancy
- ✦ Conferences, events and external lettings
- ✦ Catering, cafés, retail
- ✦ Student accommodation
- ✦ CPD, short courses and professional training
- ✦ Sports and leisure income
- ✦ Industry collaboration and commercial lab use

If a business activity is taxable, VAT on related costs is recoverable; if it is exempt, recovery is blocked. This is why many institutions historically only recover a small proportion of input VAT (although as universities tend to undertake business activity more than further education colleges, university recovery is often higher).

VAT incurred on most expenditure is considered once at the point the building or asset is first used. However, CGS recognises that major capital expenditure is different: it has a multi year life and its use can shift considerably during that period.

## What counts as a CGS asset?

For universities and colleges, the most significant category is land and buildings, where any capital project costing £250k or more falls within CGS. This includes:

- ✦ New builds and major refurbishments
- ✦ Extensions and repurposing projects
- ✦ Research facilities and laboratories
- ✦ Libraries, sports centres and arts buildings
- ✦ Infrastructure and civil engineering works
- ✦ Specialist teaching spaces and digital studios

Computer hardware can also fall within CGS, but the threshold (£50k per item) is now so high that almost no modern IT purchase qualifies. Inflation has simply dragged buildings into the scheme and pushed computers out of it.

## How the Capital Goods Scheme works

CGS treats a qualifying capital asset as having a 10 year VAT life, beginning on the date of first use. VAT recovery is then reviewed each year by comparing actual business and taxable use in the current year with the business and taxable use in the first year.

The mechanism works as follows:

#### Year one: Normal VAT rules

VAT recovery is based on intended use when the asset is first brought into service. If it is expected to support only exempt teaching or non-business grant funded education, recovery may be minimal or zero.

#### Years two to ten: Annual adjustments

Each year, the institution compares:

- ◆ Business and taxable use in the current period
- to
- ◆ Business and taxable use in the first period

If business and taxable use has increased, additional VAT becomes recoverable. If business and taxable use has decreased, VAT must be repaid to HMRC.

Each interval adjusts 1/10th of the VAT originally incurred.

#### Example in a higher and further education context

A college builds a £4m engineering and technology centre with £800k VAT. When first brought into use, it supports primarily exempt education and the college recovers 0% of the VAT.

A few years later, the institution:

- ◆ Introduces a suite of commercial CPD courses
- ◆ Licenses lab space to industry partners
- ◆ Lets areas of the building for external evening classes

Taxable use rises to 5%.

CGS impact:

- ◆ 1/10th of the VAT = £80k
- ◆ Increase from 0% to 5%
- ◆ Adjustment = 5% × £80k = £4,000 recovered in that interval

This can repeat for each remaining year, meaning cumulative recoveries can be meaningful, especially where buildings become more commercially utilised.

#### Why CGS matters now

Most higher and further education estates strategies are noticeably more commercial than they were a decade ago. Community use, third party partnerships, revenue generating CPD, and expanding accommodation portfolios all point to increased taxable activity. When this happens in a CGS building, recovery opportunities arise, even many years after first use.

A project brought into use as far back as 2016 may still have remaining intervals.

#### Can Government or HMRC block this?

This is unlikely. Whilst, during the introduction of VAT on school fees, there was rumbling about the Government seeking to restrict historic VAT adjustments, CGS is a fundamental part of the VAT system used across multiple exempt sectors including financial services and housing. Removing it or excluding education would create distortions and opportunities for abuse, such as artificially making first use taxable to capture recovery. Any attempt to block higher and further education institutions specifically would be technically complex and legally vulnerable.

#### What institutions should do when considering or reviewing capital projects

##### 1. Identify all capital projects over £250k brought into use since 2016

Estates, finance and project management teams should compile a complete list

##### 2. Locate VAT invoices, contracts and evidence of first use

Missing documentation is the biggest barrier to recovery

##### 3. Assess current taxable use vs year one use

Even small increases in taxable activity can generate recoveries

##### 4. Model potential adjustments for remaining intervals

Useful for budgeting, decision making and cashflow forecasting

##### 5. Act before knowledge leaves the organisation

Staff turnover, contractor insolvency and incomplete historical records can quickly close opportunities



**Dogie Todd**

Partner, Co-Head of VAT  
T: +44 20 7082 5839  
E: dtodd@haysmac.com

# Strengthened accountability: Key changes to College Accounts Direction in 2025–26

The Department for Education (DfE) has issued its updated College Accounts Direction for 2025–26. As in previous years, the Accounts Direction incorporates a number of targeted disclosure updates rather than wholesale redesign. For 2025–26 these mainly relate to staff costs and senior remuneration disclosures:

- ✦ Payments in lieu of notice must be included as part of restructuring costs
- ✦ Payments to former senior staff, now employed on a consultancy basis, must be disclosed
- ✦ Payments to senior staff employed for only part of the accounting period must be pro-rated up for the purposes of the disclosure relating to staff paid over £60,000
- ✦ Disclosure of remuneration for senior staff must include remuneration accrued in the current accounting period. The accrual must also be disclosed separately, together with the cumulative amount accrued
- ✦ Disclosure of payments to senior staff in the current accounting period must include the value of any sums accrued in prior periods
- ✦ Disclosure of pay multiples between the highest paid employee and other members of staff is no longer required

Other notable changes include removing the requirement to disclose details of trade union facility time following the repeal of The Trade Union (Facility Time Publication Requirements) 2017 for accounting periods ending after 18 February 2026 and removing the relevant section within Annex D which sets out information concerning the periodic revaluation of the Teachers' Pension Scheme.

The DfE have also included specific preparatory advice aimed at helping colleges plan for future changes to the SORP. This reflects DfE's growing expectation that colleges take a forward looking approach to accounting developments, rather than dealing with change reactively once new standards are effective.

We urge colleges to become familiar with these changes ahead of the preparation of their statutory financial statements for the 2026 year-end.



## 2025 College Financial Handbook

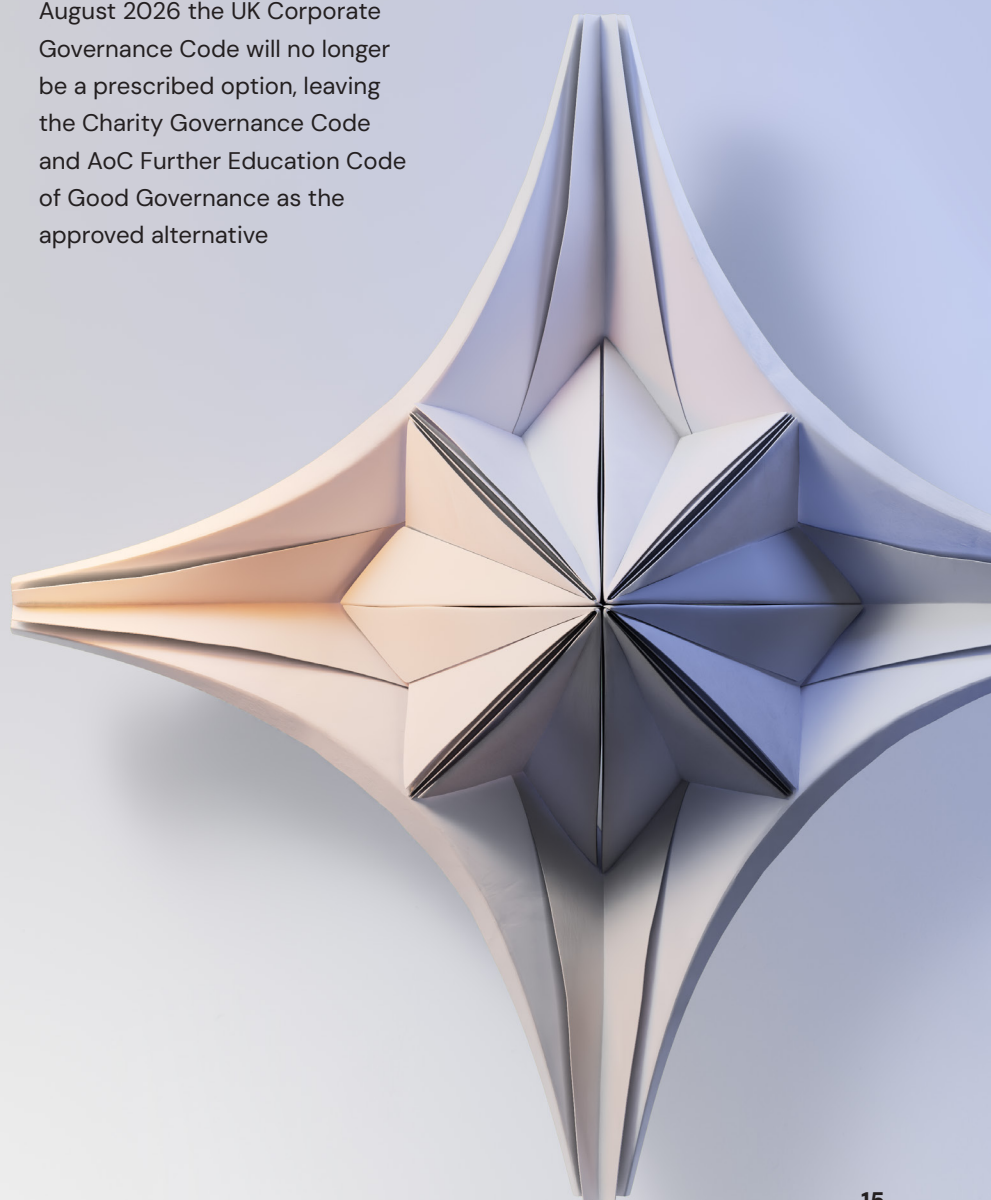
We also wish to reiterate the main changes to the 2025 College Financial Handbook which became effective for further education institutions from 1 August 2025:

- ✦ Accounting Officer responsibilities strengthened – clearer and more explicit personal responsibility for ensuring regularity, propriety, value for money and feasibility, with these terms now clearly defined and linked to *Managing Public Money* and HM Treasury guidance.
- ✦ Formal regularity assurance introduced – colleges must now include an Accounting Officer's statement of regularity, propriety and compliance within the annual report and accounts, supported by an annual regularity self assessment questionnaire approved by the corporation
- ✦ Audit committee and external audit expectations consolidated – clearer requirements covering audit committee composition and operation, external audit engagement letters, and processes for changing auditors
- ✦ Updated thresholds for senior pay and severance – higher approval thresholds introduced for senior remuneration, and revised rules on special severance payments to align with updated HM Treasury guidance
- ✦ Clearer approval rules for financial transactions – expanded and clearer guidance on when prior DfE consent is required, particularly for novel, contentious or repercussive transactions, borrowing and guarantees

- ✦ Enhanced guidance on investments and asset management – greater clarity on permitted investments, disposals, and expectations around financial risk management
- ✦ Increased emphasis on cyber security and fraud risk – strengthened expectations for boards and audit committees to oversee cyber resilience, fraud prevention and internal controls as part of financial governance
- ✦ Regulatory responsibility updated – the handbook formally reflects the closure of the ESFA and transfer of all funding, oversight and intervention responsibilities to the DfE
- ✦ Future change to recognised governance codes signalled – confirmation that from 1 August 2026 the UK Corporate Governance Code will no longer be a prescribed option, leaving the Charity Governance Code and AoC Further Education Code of Good Governance as the approved alternative



**Tom Beswick**  
Manager  
T: +44 20 7969 5668  
E: [tbeswick@haysmac.com](mailto:tbeswick@haysmac.com)



# Leases – changes under the new further and higher education SORP

The new further and higher education Statement of Recommended Practice (FEHE SORP 2026) is effective for accounting periods beginning on or after 1 January 2026.

One of the key changes to the new standard is the way in which leases are accounted for. The change applies to lessee accounting only. If your institution is the lessor, the accounting treatment remains unchanged. In its simplest form, the concept of an operating lease for lessees ceases to exist. Most leases will now be accounted for by recognising a right of use asset on the balance sheet, and a creditor for the future minimum lease payments.

## Which leases are exempt?

There are two key exemptions from this new standard, which means they do not need to apply this accounting treatment:

### 1. Short-term leases

Lease terms 12 months or less.

### 2. Low-value leases

This will include low value or trivial leases such as laptops or minor office equipment. You cannot apply this exemption to buildings, vehicles or major laboratory/IT infrastructure.

## What practical steps should each institution take to prepare for this new standard?

1. Identify all leases that apply where your institution is the lessee.
2. Identify any leases that have a peppercorn rate or below market rate rent – especially if relating to land and buildings. This is particularly relevant

for institutions with any arrangements with the local authorities or trusts. These leases are still within the scope of the standard because the economic substance of the right to use the building is needed to be capitalised – not just the nominal or peppercorn rent paid.

3. Calculate and consider the impact of implementing this change:
  - Balance sheet: larger assets and liabilities (right-of-use assets and lease liabilities)
  - Surplus/deficit profile: different expense pattern due to interest and depreciation charged instead of the straight-line rental expense
  - EBITDA: EBITDA will improve as the rental expense will be excluded, as will the interest and depreciation relating to the lease
  - Covenants and gearing: there will be higher reported debt – gearing and interest cover may move significantly
4. Have early conversations with any key stakeholders such as lenders, regulators, governors and funders to communicate the upcoming changes.

## How do further and higher education institutions apply the changes?

Mandatory application of this standard is required for accounting periods starting from 1 January 2026. So in practical terms for most further and higher education institutions this will impact their accounts for the year ending 31 July 2027.

There are no restatements of the 2025–26 comparatives. Leases remain under the current lease accounting rules for the prior year comparatives. There is, however, a requirement for a cumulative adjustment to opening reserves at the date of initial application (1 August 2026 for a 31 July 2027 year end). This will mostly be in relation to eliminating or reversing any rental accruals, any rent-free periods, lease incentives, and dilapidations provisions. Under the new rules, these are included in the right-of-use asset. The most significant area where opening reserves will need to be restated is in the scenario of a concessionary or peppercorn lease whereby the right-of-use asset becomes much larger than the nominal liability – with the balance needing to increase opening reserves.

If you are in the middle of a lease, you apply the new rules only to the remaining lease payments from the date of initial application (1 August 2026 for a 31 July 2027 year end). There is no requirement to go to the beginning of the lease.



## How does the accounting work?

For leases that are included under the new standard, lessees must be recognised on the balance sheet:

- ◆ A right-of-use asset
- ◆ A lease liability (present value of future lease payments)

Subsequently the asset and liability is unwound over the life of the lease via asset depreciation and lease payments reducing the lease liability.

## How do you calculate the lease liability and right of use asset?

Firstly, your institution must calculate the lease liability. To do this you will need to:

1. Identify all lease payments over the lease term. These should be lifted from the lease itself.
2. Select an appropriate discount rate. Institutions must use:
  - The interest rate implicit in the lease
  - If there is no interest rate implicit in the lease, then the institution will need to use the incremental borrowing rate (IBR) – the rate at which they would pay to borrow funds over a similar term to acquire a similar asset
  - If neither of these rates can be readily determined, it is confirmed that institutions may use the interest rate obtainable on deposits as the discount rate
3. Discount the future lease payments to today's value (present value) using that rate

Secondly, after calculating the lease liability, you calculate the 'right-of-use' asset. This is equal and opposite to the lease liability, but must be adjusted for any upfront rent or initial payments required to start the lease, adding any legal or professional fees required incurred to secure the lease, adding any restoration or dismantling costs, and subtracting any lease incentives received e.g. rent-free periods.

## What is the accounting treatment going forward?

The right-of-use asset is depreciated over the shorter of the lease term or useful economic life of the asset. Whenever the lease liability is remeasured, the right-of-use asset must be adjusted by the same amount. If there are any signs of impairment, the asset would need to be adjusted for impairment also.

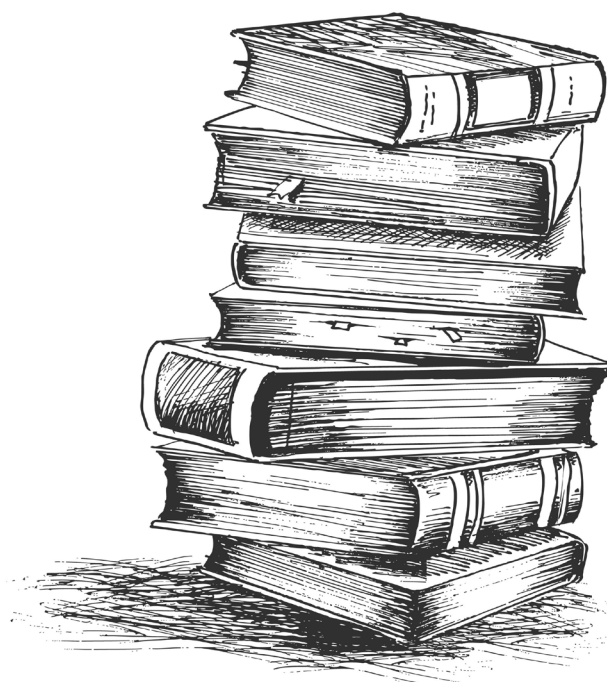
The lease liability reduces as each lease payment is made. Interest on the liability is also applied, using the discount rate chosen at commencement. The interest is charged as an expense in the income statement. The lease liability must be remeasured when there is a change in the lease term, change in expected payments or a change in the rate of discount rate.

## In summary – be prepared

This new standard will significantly impact many further and higher education institutions. Institutions must establish a full list of all leases where your institution is the lessee, rule out any exemptions that fit the criteria or low-value or short leases, then calculate the impact on their 2026–2027 accounts. Once the impact is calculated, consideration to bank loan covenants and KPIs is recommended to ensure that early conversations can begin with key stakeholders such as lenders, funders, regulators and to those charged with governance.



**Emma Gabe**  
Senior Manager  
T: +44 20 7396 4330  
E: egabe@haysmac.com



# Embedding Sustainability Across the FE/HE Curriculum

Sustainability is no longer a specialist concern but a core professional capability across every sector of the economy. The transition to net zero, climate adaptation, nature recovery and social value delivery requires a workforce that can think systemically, act ethically, and **deliver sustainable outcomes in real-world contexts**.

As the membership body for those working in the sustainability and environmental profession, we recognise the effectiveness of ISEP members is enhanced when others in the wider workforce have green skills. Activating these skills is critical if we're to successfully transition the economy to one that's truly sustainable.

The ISEP Sustainability Skills Map provides a practical framework that defines the knowledge, skills and behaviours required to embed sustainability into professional practice. The Skills Map also offers an effective framework for embedding sustainability skills across all FE and HE curricula, rather than confining them to environmental or sustainability programmes.

Through engagement with members and employers, we identified 13 knowledge and skill areas that are key for high-performing sustainability and environmental professionals.

The ISEP Sustainability Skills Map sets out these 13 knowledge and skill areas, known as competencies, required of individual sustainability professionals at all stages in their career. The competencies fit into three categories: core knowledge, technical knowledge and skills for sustainable leadership.

## Core knowledge competencies

1. Fundamentals of Sustainability
2. Principles and Issues of Business Governance

At the very core of high-performing environment and sustainability professionals is a requirement to understand the fundamentals of sustainability and business. This underpins what it means to be a sustainability professional in today's economy and recognises that knowing about sustainability alone is not enough. In order to make change happen we need to get buy-in for what we are doing, the easiest way of doing this is understanding how organisations work and being able to talk the same language as our colleagues. This core knowledge is at the heart of all our professional membership grades.

## Technical knowledge competencies

3. Issues and Principles
4. Policy and Legislation
5. Management and Assessment Tools
6. Innovative and Leading Practices

In addition to the core knowledge described above, sustainability and environmental professionals need more detailed technical knowledge across environment, social, economic and business/governance horizons. The scope and depth of technical knowledge will be dependent of each individual, and their experience and career aspirations.



When it comes to demonstrating technical knowledge to gain Professional membership – this isn't a one-size-fits-all approach – if you are an environmental specialist you will have a depth of knowledge in the environment horizon; if you work in corporate sustainability you are more likely to have a broader knowledge base covering all four horizons. It is about having the knowledge that is right for your chosen career path.

### Skills for sustainable leadership

7. Analytical Thinking
8. Problem Reframing and Resolution
9. Effective Communication
10. Relationship Development
11. Resilience, Risk and Continual Improvement
12. Delivering Sustainable Solutions
13. Leadership for Change

These skills are highly valued by employers as they are critical for translating knowledge and understanding into action.

There are compelling reasons to embed sustainability across Further Education and Higher Education curricula and to use the Skills Map as an enabling framework.

### Building Foundational Sustainability Literacy

FE plays a critical role in shaping a technical and vocational workforce. Embedding sustainability skills ensures learners develop a core understanding of climate change, resource efficiency and social impacts, while developing awareness of how sustainability affects everyday job roles (construction, manufacturing, care, transport, digital, etc.). This can help learners to understand how their occupation contributes to sustainability challenges and solutions. It can also help to embed sustainable methods of working (energy efficiency, waste reduction, low carbon materials) and compliance with evolving regulation and client expectations.

In the context of HE, the Skills Map's elements on systems thinking and ethical judgement is crucial for learners who will design infrastructure, services and policy, and lead organisations and influence strategic decisions. This can help students to understand trade offs between environmental, social and economic outcomes and make informed, responsible decisions in the context of complexity and uncertainty

Embedding sustainability skills across FE and HE curricula is not simply desirable – it is essential. The ISEP Sustainability Skills Map offers a robust, flexible and profession aligned framework to support this integration.

By adopting it as a framework for embedding sustainability across the FE/HE curriculum it can help to:

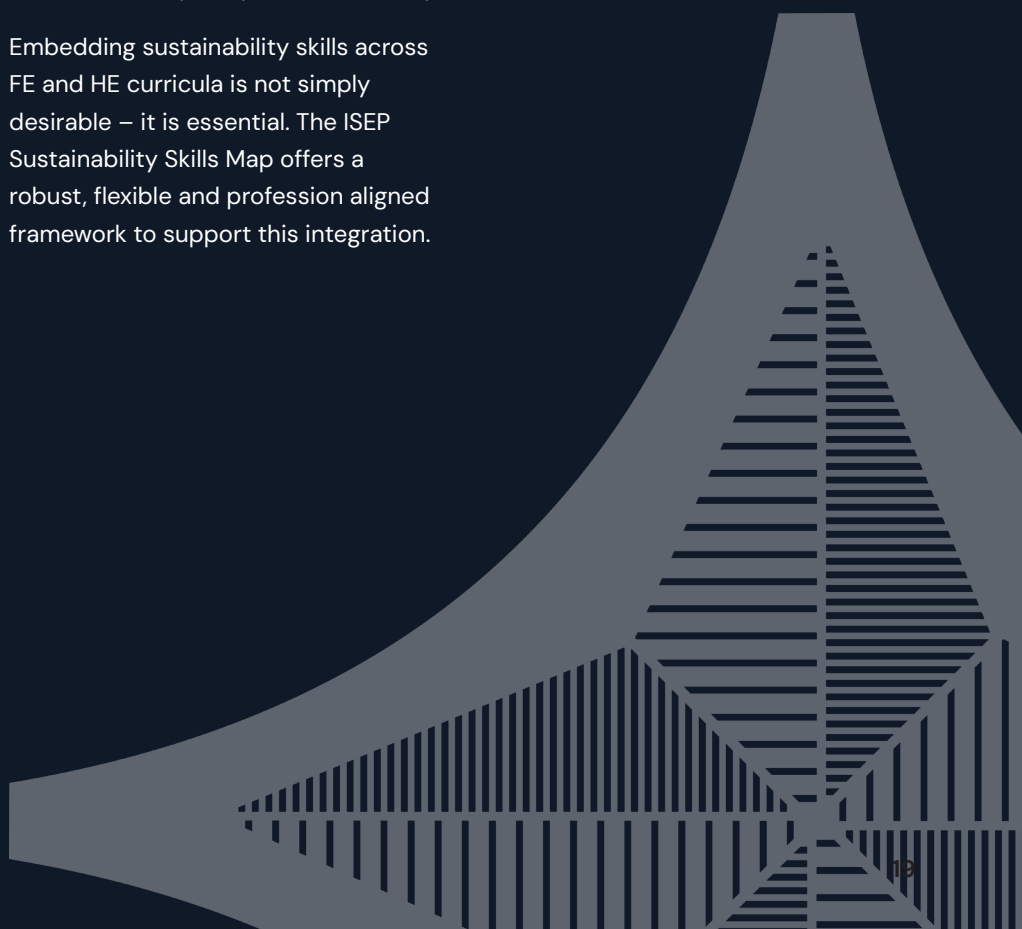
- ✦ equip learners with practical, job ready sustainability awareness,
- ✦ develop a future-ready workforce equipped to develop solutions to the sustainability challenges we face.

The ISEP Sustainability Skills Maps is available at [www.isepglobal.org/sustainability-skills-map/](http://www.isepglobal.org/sustainability-skills-map/)



#### Martin Baxter

Deputy CEO, Institute of Sustainability and Environmental Professionals (ISEP)  
E: [m.baxter@isepglobal.org](mailto:m.baxter@isepglobal.org)



# Further & Higher Education team

If you need guidance on any audit and accounting, financial reporting, statutory obligations, funding, employment tax or direct tax matters you can contact any member of our **Further and Higher Education team** as detailed below.



**Steve Harper**

*Partner, Head of Social Purpose*

+44 20 7898 3567

sharper@haysmac.com



**Richard Weaver**

*Partner*

+44 20 7969 5567

rweaver@haysmac.com



**Dougie Todd**

*Partner, Co-Head of VAT*

+44 20 7082 5839

dtodd@haysmac.com



**Nick Bustin**

*Employment Tax Director*

+44 20 7969 5578

nbustin@haysmac.com



**Louise Veragoo**

*Direct Tax Director*

+44 20 7969 5682

lveragoo@haysmac.com



**Alice Palmer**

*Senior Manager*

+44 20 7396 4375

apalmer@haysmac.com



**Caroline Boardley**  
*Senior Audit Manager*  
+44 20 7969 5632  
cboardley@haysmac.com



**Emma Gabe**  
*Senior Audit Manager*  
+44 20 7396 4330  
egabe@haysmac.com



**Georgia Piper**  
*Senior Audit Manager*  
+44 20 7969 5550  
gpiper@haysmac.com



**Tom Beswick**  
*Audit Manager*  
+44 20 7969 5668  
tbeswick@haysmac.com



**Fabio Pozzi**  
*Assistant Audit Manager*  
+44 20 7396 4393  
fpozzi@haysmac.com



**Gian Mech**  
*Audit Supervisor*  
+44 20 7396 4224  
gmech@haysmac.com

# HaysMac<sup>+</sup>



Committed to Sustainability

10 Queen Street Place  
London EC4R 1AG

T 020 7969 5500  
E [marketing@haysmac.com](mailto:marketing@haysmac.com)

[haysmac.com](http://haysmac.com)

© Copyright 2026 HaysMac LLP. All rights reserved.

HaysMac is the trading name of HaysMac LLP, a limited liability partnership. Registered number: OC423459. Registered in England and Wales. Registered to carry on audit work in the UK and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales. A list of members' names is available for inspection at 10 Queen Street Place, London EC4R 1AG. A member of the ICAEW Practice Assurance Scheme.

**Disclaimer:** This publication has been produced by the partners of HaysMac LLP and is for private circulation only. Whilst every care has been taken in preparation of this document, it may contain errors for which we cannot be held responsible. In the case of a specific problem, it is recommended that professional advice be sought. The material contained in this publication may not be reproduced in whole or in part by any means, without prior permission from HaysMac LLP.

