Accounting Policies

Charity Number: SC 036198

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Accounting Policies

1. Introduction

The College is required to approve a range of Accounting Policies that will be applied in the preparation of annual financial statements.

2. Purpose and Aims

The College prepares annual financial statements which are in accordance with the relevant Accounting Standards, legislation and guidance published by the Scottish Funding Council (SFC). To ensure compliance and consistency the College must apply the College Accounting Policies in the preparation of the financial statements.

3. Scope

The College financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction issued there under by the Scottish Funding Council which requires compliance with the Statement of Recommended Practice: Accounting for Further and Higher Education (2019) https://www.sfc.ac.uk/wp-content/uploads/uploadedFiles/colleges-accounts-direction_2022-23.pdf. They conform to guidance published by the Scottish Funding Council.

4. Policy Statement

4.1. Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

4.2. Going Concern

The Board of Management is satisfied that it has adequate resources to continue in operation for the foreseeable future (defined in accounting terms as 12 months from the date of signing the accounts), for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

4.3. Recognition of Income

Recurrent grants from the Scottish Funding Council (SFC) are recognised in the period in which they are receivable.

Non-recurrent government grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Non-recurrent grants from other bodies received in respect of the acquisition or construction of fixed assets are recognised in the period the associated asset expenditure occurs.

Income from other grants, contracts and other services rendered is included to the extent of completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the period and any related contributions towards overhead costs.

Income from tuition fees and from short-term deposits is credited to the income and expenditure account in the period in which they are earned. A review of income balances received in prior years and deferred shall be undertaken on an annual basis, and reasonable judgement applied as it in-year recognition, further deferral or other appropriate action. This review shall be undertaken with consideration of the annual established review, reconciliation and audit processes of the College’s main funders, including SAAS and SFC.

Income from specific endowments and donations is included to the extent of the relevant expenditure incurred during the period, together with any related contributions towards overhead costs.

4.4. Maintenance of Premises

The cost of planned and routine corrective maintenance of the College estate is charged to the income and expenditure account as incurred.

4.5. Tangible Fixed Assets

4.5.1. Land and Buildings

The College's land & buildings are valued on the most appropriate basis depending on their planned future use. Where the College has undertaken specific capital improvement works on its buildings exceeding £10,000, these have been added to Land and Buildings within note 15 of the Financial Statements and depreciated over 10 years, except where the valuer has identified that they should be depreciated over a useful economic life equivalent to the remaining life of the whole building. These works are included within the periodic valuations obtained by the College.

Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets.

Buildings under construction are accounted for at cost, based on the value of architect's certificates and other direct costs incurred to 31 July.

Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 125 years, as identified by the valuer, except where the valuer has identified that they should be depreciated over a useful economic life equivalent to the remaining life of the whole building. Building improvements are depreciated over a useful economic life equivalent to the remaining life of the whole building.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. In the event an impairment adjustment is required the College would recalculate the useful economic life of the asset, charge accelerated depreciation and deferred grant to the Income & Expenditure account.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

4.5.2. Equipment

Equipment costing less than £10,000 is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Capitalised equipment is depreciated over its useful economic life. In the year of capitalisation the individual asset's useful economic life shall be reviewed and normally classified as short-life, medium-life or long-life asset. The standard useful economic life being as follows:

Asset classification	Use Life	Example assets
Short-life	4 years	IT user devices (laptops)
Medium-life	8 years	IT infrastructure
Long-life	20 years	Engineering & Nautical hardware

Where an individual asset has clearly defined useful economic life at the point of acquisition that varies materially from the above standards, the specific useful life shall be applied. Where specific action has been taken to extended the useful economic life of an asset prior to it being fully depreciated than a revised useful life shall be applied.

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

4.6. Leased Assets

Assets which are held under hire purchase contracts which have the characteristics of finance leases are depreciated over their useful lives.

4.7. Investments

Fixed asset investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment in their value.

Current asset investments are included at the lower of their cost or net realisable value.

4.8. Stocks

Stocks are stated at the lower of their cost or net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

4.9. Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of UK income or capital gains received within categories covered by Section 256 of the Taxation of Chargeable Gains Act 1992 and Sections 478–489 of the Corporation Tax Act 2010, to the extent that such income or gains are applied to exclusively charitable purposes. Subsidiary companies are liable to corporation tax. The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

4.10. Provisions

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

4.11. Pension Schemes

The College participates in two multi-employer defined benefit pension schemes.

Teaching staff may join the Scottish Teachers' Superannuation Scheme (STSS), which is administered by the Scottish Public Pensions Agency. The College is unable to identify its share of the underlying assets and liabilities of the STSS on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for its participation in the STSS as if it were a defined contribution scheme. As a result, contributions are charged to the income and expenditure account as they arise. This is expected to result in the pension cost being a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of periodic valuations using the projected unit basis.

Administrative and support staff may join the Strathclyde Pension Fund, which is administered by Glasgow City Council and which requires contributions to be made to its number 1 fund. The Fund is a defined benefit pension scheme, providing benefits based on a career average salary scheme, which is contracted out of the State Earnings-Related Pension Fund. Assets and liabilities of the Fund are held separately from those of the College. Fund assets are measured using market values. For quoted securities the current bid price is taken as market value. Fund liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

Contributions to the Fund are calculated so as to spread the cost of pensions over employees' working lives with the College. The contributions are determined by an actuary on the basis of triennial valuations using the Age Attained Method. The actuaries also review the progress of the scheme in each of the intervening years. Variations from regular cost are spread over the expected average remaining working lifetime of members of the Fund, after making allowances for future withdrawals. The expected cost of providing staff pensions to employees contributing to the Fund is recognised in the income and expenditure account on a systematic basis over the expected average remaining lives of members of the funds in accordance with Financial Reporting Standard 17 'Retirement benefits' and recognises retirement benefits as the benefits are earned and not when they are due to be paid.

Full provision is made in these financial statements for future pension contributions in respect of employees who have been permitted to take early retirement without any reduction in their pension entitlements.

4.12. Agency Arrangements

The College acts as an agent in the collection and payment of certain Student Support Funds. These funds are excluded from the College Income and Expenditure Account, and movements have been disclosed in the notes to the accounts. Where the College has more discretion in the manner in which specific funds are disbursed, and those funds do not meet the definition of agency funds, the income and expenditure relating to those funds are shown in the College Income and Expenditure Account.

4.13. Liquid resources

Liquid resources included sums on short term deposits with recognised banks.

5. Definitions

FRS	Financial Reporting Standard
SFC	Scottish Funding Council
SPF	Strathclyde Pension Fund
STSS	Scottish Teachers' Superannuation Scheme

6. Responsibilities

Approving Accounting Policies	Audit Committee
Applying Accounting Policies	Chief Financial Officer

7. References

7.1. Policy Framework

Associated Policies and Procedures	Title

7.2. Other College Policies and Procedures

Policy / Procedure	Title

7.3. External References

Source	Title
Accounts Direction	SFC Accounts Direction
Legislation	Further and Higher Education (Scotland) Act 1992
SORP	Statement of Recommended Practice: Accounting for Further and Higher Education 2019 edition

8. Document Control and Review

Approval Status	Awaiting approval		
Approved by	Audit Committee		
Date Approved	May 2024		
EQIA Status	Initial Screening Conducted?	Yes: ☒	No: ☐
	Full EQIA Conducted?	Yes: ☒	No: ☐
Proposed Review Date	May 2027		
Lead Department	Finance		
Lead Officer(s)	Chief Financial Officer		
Board Committee	Audit Committee		
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9. Revision Log

Version Date	Section of Document	Description of Revision
V1		Initial post merger policy
V2		Overall review and update to reflect new structure & EQIA
V3	4.5.1	Update to land & buildings
V4	 3 4.3 4.5.1 4.5.2	Update to job titles Update SORP Update non government grants to reflect FRS102 Update to useful economic life, update note reference Addition of specialised equipment
V5	4.3 4.5.2	Annual review of Deferred Income balances in alignment with established funder reconciliation processes. Creation of additional standardised asset category for period for Useful Economic Life, and review thereof.
V6	3 4.9	Update SORP reference Update taxation wording Update of job titles