Item 10
For Approval

Glasgow Kelvin College

Audit and Risk Committee – 17 May 2022

Statutory Accounting Policies

Report by Vice Principal Operations and Head of Finance

1. Introduction

The Statutory Accounting Policies are the basis on which the College's Accounts are prepared each year.

These are presented to the Audit and Risk Committee at **Appendix 1** below in advance of the 31 July year end for consideration and approval.

Small changes to these Policies from those used to prepare the 2020/21 Annual Accounts are noted via track changes. The Policies should be considered in light of the External Audit Plan presented separately on the Agenda.

2. Risk and Assurance

If the College adopts incorrect Statutory Accounting Policies this could negatively impact on the Statutory Accounts. However, this risk is mitigated by experienced Finance staff and ongoing discussion and review by the external auditors.

3. Equality

No adverse impacts on people with protected characteristics have been identified as a consequence of this report.

4. Data Protection

There are no new data protection matters arising from the contents of this report.

5. Recommendations

Members of the Audit and Risk Committee are recommended to:

i) note the contents of this report and its appendix; and
ii) approve the Statutory Accounting Policies for the 2021/22 Annual Statutory Accounts.

6. Further Information

Members can obtain further information on the contents of this report from Jeanette Evans, Vice Principal Operations - jevans@glasgowkelvin.ac.uk or Alan Carr, Head of Finance - acarr@glasgowkelvin.ac.uk

JE/AC
Glasgow Kelvin College
May 2022

Appendix 1

Statement of Principal Accounting Policies

General Information – dates to be updated at the year end

Glasgow Kelvin College is defined as a 'fundable body' by the provisions of the Further and Higher Education (Scotland) Act 2005. It is primarily funded by the Scottish Funding Council (SFC), a Non-Departmental Public Body of the Scottish Government, whose main role is to distribute funding to Colleges and Universities in Scotland. The Glasgow Colleges' Regional Board was granted 'fundable body' status on 1 April 2018 and since that date the College has been funded directly by the Glasgow Colleges' Regional Board.

The financial statements have been prepared in accordance with the Further and Higher Education (Scotland) Act 1992, United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), the 2019 Statement of Recommended Practice (SORP) 2019: Accounting in Further and Higher Education and the Government Financial Reporting Manual (FReM). The financial statements conform to the accounts direction published by the Scottish Funding Council (SFC) in July 2021.

The College is primarily funded by the Glasgow Colleges' Regional Board (GCRB) which is a 'Fundable Body' within the terms of the Post 16 Education (Scotland) Act 2013. GCRB has the overall responsibility for the planning and delivery of Further Education in Glasgow. GCRB are in turn funded by the Scottish Funding Council (SFC), a Non-Departmental Public Body of the Scottish Government, whose main role is to distribute funding to Colleges and Universities in Scotland.

The presentation currency is pound sterling and the financial statements are rounded to the nearest thousand. These financial statements comprise the results of the College only.

The Board of Management is responsible for setting the strategic direction of the College within the parameters of the Glasgow Regional Outcome Agreement and for overseeing its operational management. Glasgow Kelvin College is a registered Scottish Charity, Charity number SC021207 (within the provisions of the Charities and Trustee Investment (Scotland) Act 2005). The registered address is 123 Flemington Street, Springburn, Glasgow, G21 4TD.

Accounting Policies

Introduction and accounting basis

The financial statements are prepared on the historical cost basis of accounting subject to the revaluation of certain fixed assets and in accordance with applicable accounting standards. The accounting policies of the College are set out below:

Judgements in applying policies and key sources of estimation uncertainty

In preparing the financial statements, the Board of Management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

Statement of Principal Accounting Policies (contd.)

The Board of Management are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied as follows:

Estimate	Basis of estimation
Valuation of buildings	College buildings are of a specialist nature and are valued on the depreciated replacement cost basis.
Useful economic lives of buildings and equipment	Buildings are depreciated over their expected remaining useful economic life as assessed by an independent, qualified valuer. Buildings owned by the College are split into components and each component is valued and depreciated separately. Land owned by the College is not depreciated. The economic lives currently in use are in the range 18.75 to 115 years. The estimated useful life of equipment is 4 to 10 years.
Recoverable amount of trade debtors	Trade debtors are reviewed by appropriately experienced senior management team members with appropriate provision for non-payment of debt being charged to the financial statements as required.
The obligations under the Strathclyde Pension Scheme (SPF)	The Board of Management has relied on the actuarial assumptions of qualified actuaries which have been reviewed and are considered reasonable and appropriate.

Recognition of income

Income from government grants, contracts and other services rendered is recognised in the Statement of Comprehensive Income and Expenditure in proportion to the extent of completion of the contract or service concerned.

Deferred Government Capital Grants are released to income in accordance with the accrual model over the useful life of the asset. The accrual model requires the College to recognise income on a systematic basis over the period in which the College recognises the related costs for which the grant is intended to compensate.

Government revenue grants are recognised using the accrual model which means the College recognises the grant in income on a systematic basis over the period in which the College recognises the related costs for which the grant is intended to compensate.

Non-government capital and revenue grants are recognised using the performance model. If there are no performance conditions attached the grants are recognised as revenue when the grants are received or receivable.

A grant that imposes specific future performance related conditions on the recipient is recognised as revenue only when the performance related conditions are met.

A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Statement of Principal Accounting Policies (contd.)

The main annual recurrent allocation from the SFC was recognised in the period in which it was received and is credited to the Statement of Comprehensive Income and Expenditure.

Tuition fees are credited to the Statement of Comprehensive Income and Expenditure in the period in which they are due to be received. The Board of Management waives fees in line within the National Fee Waiver Policy which gives free access to education and training to those who are unemployed, have low income or are receiving other forms of benefit.

Income from the European Social Fund (ESF) is accounted for to the extent that it has been received prior to the date of approval of the accounts or that its recovery is expected with reasonable certainty.

All investment income from short-term deposits is credited to the Statement of Comprehensive Income and Expenditure in the period in which it is earned.

Maintenance of premises

The cost of maintenance is charged to the Statement of Comprehensive Income and Expenditure in the period in which it is incurred.

Operating leases

Related costs in respect of operating leases are charged to the Statement of Comprehensive Income and Expenditure on a straight-line basis over the term.

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 organization for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Provisions

Provisions are recognised when the College has a present 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.

Subsequent events

Subsequent events after the end of the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. In accordance with FRS 102 the College is required to identify events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue and make adjustments or disclosures where these are material to the understanding of the financial statements.

Fixed assets

a Land and buildings

The college holds its land and buildings at fair value and due to the specialist nature of the college buildings they are valued on a depreciated replacement cost basis. A formal valuation is performed by an independent, qualified Chartered Surveyor and valuer. Valuations take place at least every 5 years, unless there have been indications that there has been a material movement in the fair value. This is considered appropriate as the fair value is not considered to be volatile. In the years where no formal valuation is performed, a review of the impact of indexation of the formal valuation is performed by the surveyor with the indexation reflected in the financial statements.

Buildings are depreciated over their expected remaining useful economic life as assessed by the Chartered Surveyor. Buildings owned by the College are split into components and each component is valued and depreciated separately. Land owned by the College is not depreciated. The economic lives currently in use are in the range 10 to 115 years.

Where assets are funded with specific grants, the related grants are credited to a deferred capital grant account and released to the Statement of Comprehensive Income and Expenditure over the expected useful economic life of the asset on a basis consistent with the depreciation policy. Assets under construction are recognised in the balance sheet to the extent that money has been paid or a liability incurred. Assets under construction are not depreciated until they are brought into use.

An annual impairment review is carried out for all fixed assets, if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable the asset is impaired.

b Equipment

Individual items of equipment costing less than £10,000 are written off to the Statement of Comprehensive Income and Expenditure in the period of acquisition. Investment in ICT projects costing in excess of £10,000 have also been capitalised where individual items may have cost less than £10,000. The depreciation charge reflects the estimated useful life of the assets as follows:

Equipment	4 – 10 years
ICT Hardware and Software	4 years

The College charges depreciation in the year the asset is purchased. 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 Statement of Comprehensive Income and Expenditure over the expected useful economic life of the related equipment.

Statement of Principal Accounting Policies (contd.)

Retirement benefits

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. Glasgow Kelvin College is unable to identify its share of the underlying assets and liabilities of the STSS and therefore, as required by FRS 102 'Retirement Benefits', accounts for its participation in the STSS as if it were a defined contribution scheme. Contributions are charged to the Statement of Comprehensive Income and Expenditure 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.

Non-teaching staff may join the Strathclyde Pension Fund (SPF) 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 final pensionable pay and length of service, which is contracted out of the State Earning-Related Pension Fund.

Assets and liabilities of the Fund are held separately from those of Glasgow Kelvin College. Fund assets are measured using market values. 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 costs 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 Statement of Comprehensive Income and Expenditure on a systematic basis over the expected average remaining lives of members of the Fund in accordance with FRS 102 and recognises retirement benefits as the benefits are earned and not when they are due to be paid.

Financial instruments

Financial instruments are recognised in the Balance Sheet when the College becomes party to the contractual provisions of the instrument. All of the College's financial instruments are classified as 'basic' in accordance with Chapter 11 of FRS102. All of the College's financial instruments are measured at transaction price.

Financial assets are derecognised when the contractual rights to the cash flows from the assets expire, or when the College has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

Employee benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render services to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Interest receivable

Interest income is recognised in the Statement of Comprehensive Income and Expenditure using the effective interest method.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities are measured at fair value, net of transaction costs.

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 Statement of Comprehensive Income and Expenditure, and movements have been disclosed in the notes to the accounts. Where the College has more discretion in the manner in which funds are disbursed, and those funds do not meet the definition of agency funds, the income and expenditure relating to these funds are shown in the College Statement of Comprehensive Income and Expenditure.

Going concern – To be updated as part of the year end process

The Board of Management is satisfied that it has adequate resources to continue in operation for the foreseeable future. The College has now reassessed its medium-term financial sustainability and has developed a new Transformation and Renewal Plan in consultation with our GCRB executive colleagues which will ensure it remains financially sustainable over the next three-year period. Implementation during has resulted in significant reductions in staff costs from 2021/22 and has enabled the College to return to a sustainable year-end operating cash balance and an AOR surplus for the following next three year budget period.

The board have assessed the impact of COVID-19 and this has not affected the going concern status of the entity. It is anticipated that the College will continue to be funded by Grant in Aid from Scottish Funding Council/GCRB and will continue to operate on a financially stable basis. As a result of this, the going concern basis continues to be adopted in the preparation of the financial statements.