



Scottish Funding Council
Comhairle Maoinachaidh na h-Alba

**Accounts direction for
Scotland's colleges 2020-21: detailed
notes for guidance**

SFC Guidance

Issue Date: 3 June 2021

Accounts direction for Scotland’s colleges 2020-21: Detailed notes for guidance on completion of 2020-21 financial statements

Introduction

1. These guidance notes are designed to supplement the Scottish Funding Council’s Accounts Direction.
2. The guidance has been prepared with a view to improving the quality and consistency of financial reporting throughout the college sector.

General

3. The Statement of Recommended Practice for Further and Higher Education (SORP) was issued in October 2018 and is effective for accounting periods beginning on or after 1 January 2019. The SORP reflects the changes to UK Generally Accepted Accounting Practice following the issue of FRS 100, 101 and 102. A copy of the SORP and supporting materials can be found on the [Universities UK website](#).
4. As noted in the SORP, institutions¹ must apply all requirements under FRS 102 ‘The Financial Reporting Standard applicable in the UK and the Republic of Ireland’, relevant legislation and accounts direction from Funding Bodies applicable to the institution.
5. Incorporated colleges and Glasgow Colleges’ Regional Board² are also required to comply with the Financial Reporting Manual (FRM) and the Scottish Public Finance Manual (SPFM).

SFC and Regional Strategic Body funding

6. The note analysing SFC grants or grants funded by Regional Strategic Bodies (RSBs) should provide sufficient information to allow the reader to understand the major types of grant received from each funding body. **Annex A** contains a model note which institutions should adopt as far as possible.
7. Any significant one-off or ring-fenced grants, including non-recurring COVID-19 support, should be identified on a separate line. Whilst smaller grants may be grouped together under the heading “other”, this should not represent a significant portion of the total grants received.

¹ The term institution includes colleges and Glasgow Colleges’ Regional Board.

² Glasgow Colleges’ Regional Board’s accounts are prepared on a consolidated basis, incorporating the results of City of Glasgow College, Glasgow Clyde College and Glasgow Kelvin College. New College Lanarkshire’s accounts are also prepared on a consolidated basis, incorporating the results of South Lanarkshire College.

Tuition fees and education contracts

8. Institutions should analyse tuition fees and contracts in accordance with the model notes given in **Annex B**.

Other income

9. Funding received from the Coronavirus Job Retention Scheme should be shown as a government grant in other income and not offset against staff costs in the financial statements. The income should not be shown as part of SFC funds. Institutions are also encouraged to disclose the number of staff furloughed during the year.

Grants from arms-length foundations

10. Institutions should disclose separately any revenue or capital grants received from arms-length foundations.

Student support funds

11. Paragraph 16.9 of the SORP states that “Where the institution disburses funds it has received as paying agent on behalf of a funding body or other body, and has no beneficial interest or risks related to the receipt and subsequent disbursement of the funds, these funds should be excluded from the Statement of Comprehensive Income of the institution.”
12. What constitutes an agency arrangement will depend upon each individual fund and its own individual characteristics. However, the following can be considered to be agency arrangements:
 - Further education bursary funds.
 - Discretionary funds.
 - Education maintenance allowances.
13. Accordingly, these should be excluded from the Statement of Comprehensive Income and the movements disclosed in a note to the accounts. Where incorporated colleges have used the cash budget for priorities³ to fund student support costs in excess of funding they should record this expenditure in the Statement of Comprehensive Income. To ensure comparability between institutions, we recommend that the standard note shown in **Annex C** is adopted.

³ Glasgow Colleges’ Regional Board does not itself have a cash budget for priorities but the consolidated position of the assigned colleges should be reflected in the regional accounts.

14. FE and HE childcare funds received by institutions should be included in the main Statement of Comprehensive Income as institutions have more discretion in the manner in which these funds are disbursed and these funds do not therefore meet the definition of agency funds. The income from childcare funds should be identified as a separate line in the Scottish Funding Council income note. Related expenditure from the fund should be shown as a separate line within the appropriate expenditure heading. A note of the movements on childcare funds should be disclosed in the notes in accordance with the model note given in **Annex C**. The guidance section on the SFC website provides further details of childcare guidance for FE and HE students studying at colleges.
15. Any in-year redistributions agreed by SFC should also be reflected in the notes. Amounts to be clawed back should be identified as repayable to SFC or other body in the student support fund note.
16. Institutions should have in place systems which minimise incorrect payments of student support funds. However, where there has been overpayment for any reason and funds are recovered these should be credited to the fund balance at the time of recovery. The administrative costs of recovering these overpayments, in line with other administrative costs relating to student support fund payments, should be met from core funds.
17. A link to extant guidance relevant to non-advanced student support funds from SFC is given in **Annex D**.

Staff Costs

18. For consistency and clarity the headings shown in the staff costs note should be analysed as shown in **Annex E**. As in previous years, agency staff costs should be included as a separate line under 'Other operating expenses'.
19. As highlighted in paragraph 9, funding received from the Coronavirus Job Retention Scheme should not be offset against staff costs in the financial statements.
20. The full harmonisation costs of National Bargaining support staff and middle management will not be confirmed until the national Job Evaluation exercise is carried out, the outcome of which will be implemented with effect from 1 September 2018. Support staff and middle management Job Evaluation costs (and associated grant) should be accounted for, based on Colleges Scotland's February 2019 costings.

Non-profit distributing projects

21. In accounting for the unitary charge payment, the split between the running cost and loan repayment elements should be disclosed in the notes to the financial statements.

Donations to arms-length foundations

22. Any donation to an arms-length foundation should be disclosed above the operating surplus line, under the expenditure headings, in the Statement of Comprehensive Income. The donation should be clearly disclosed in order to ensure transparency within the annual report and accounts.

Summary pension note

23. A model summary pension note disclosing SOCI charges and Balance Sheet movements is shown at **Annex F**. The suggested note is included within the guidance notes with a view to generating consistency of reporting between colleges of the key SOCI charges and Balance Sheet movements. The suggested note will form part of the wider disclosures on pensions required in the accounts though this additional information is not reflected in **Annex F**. It is important that the note sets out the non-cash movements charged to the SOCI (service costs and net interest cost) as these will also be disclosed and cross-referenced on the adjusted operating position table.

Adjusted operating position (AOP)

24. The SOCI presents the financial performance during the accounting period in accordance with the SORP. The AOP is intended to reflect the underlying operating performance after allowing for material one-off or distorting items required by the SORP or other items outwith the control of the institution. The AOP is therefore designed to smooth any volatility in reported results arising from FRS 102 and also to recognise that some of the reported costs do not have an immediate cash impact on the institution. Institutions should explain what these adjustments are and why they have been made. All adjusting items included in this calculation must be visible (i.e. separately disclosed) in the SOCI or notes as appropriate and should be cross-referenced from the AOP table.
25. Colleges should not include any adjustments for the impact of COVID-19 in the AOP calculation.
26. **To ensure correct completion of the AOP and consistency across the sector, institutions should submit the AOP calculation, together with draft accounts, to SFC for review prior to the accounts being signed off. Institutions are**

encouraged to submit the AOP calculation as early as possible to allow time for review.

Model note: SFC and Regional Strategic Body income

	2020-21 £'000	2019-20 £'000
SFC / RSB FE recurrent grant (including fee waiver)		
SFC/RSB financial sustainability funding		
UHI recurrent grant – HE provision		
FE childcare funds		
SFC/RSB Capital grants received		
Release of SFC/RSB deferred capital grants		
SFC grant for NPD		
Other SFC / RSB grants – FE provision		
Other UHI grants – HE provision		
Total		

Model note: Tuition fees and education contracts

	2020-21 £'000	2019-20 £'000
FE fees – UK		
FE fees – EU		
FE fees – non EU		
HE fees		
SDS contracts		
Education contracts		
Other contracts		
Total		

Model note: FE Bursaries and other student support funds

	2020-21	2020-21	2020-21	2020-21	2019-20
	FE Bursary £'000	EMAs £'000	Other £'000	Total £'000	Total £'000
Balance b/fwd					
Allocation received in year					
Expenditure					
Repaid to SFC as clawback					
College contribution to funds					
Intra-region allocations					
Virements					
Balance c/fwd					
Represented by:					
Repayable to SFC as clawback					
Repayable to region					
Retained by college for students					

Note:

- The SAAS Discretionary fund should be included in the “other” column; and
- The expenditure included above should be net of recoveries made in the year.

Model note: FE and HE childcare funds (college sector)

	2020-21 £'000	2019-20 £'000
Balance b/fwd		
Allocation received in year		
Expenditure		
Repaid to SFC as clawback		
College contribution to funds		
Intra-region allocations		
Virements		
Balance c/fwd		
Represented by:		
Repayable to SFC as clawback		
Repayable to region		
Retained by college for students		

Extant SFC guidance for student support funds

1. Student support guidance for academic year 2020-21 can be found on the guidance section of the [SFC website](#).
2. Guidance notes on the audit requirements for EMAs for 2020-21 and the audit requirements for student support funds for 2020-21 will be made available on the [SFC website](#) in summer 2021.

Model note: Staff numbers and staff costs**Staff numbers**

	Year ended 31 July 2021 Number	Year ended 31 July 2020 Number
Academic / Teaching departments		
Academic / Teaching services		
Research grants and contracts		
Administration and central services		
Premises		
Other expenditure		
Catering and residences		
Total		

Staff costs

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Academic / Teaching departments		
Academic / Teaching services		
Research grants and contracts		
Administration and central services		
Premises		
Other expenditure		
Catering and residences		
Sub-total		
Exceptional restructuring costs		
Total		

Model summary pension note

The analysis of amounts charged to the Statement of Comprehensive Income (SOI) is as follows:

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Charged to staff costs:		
Current service costs	x	(2,400)
Past service costs	x	(100)
Total charged to staff costs	xx	(2,500)
Credit/charge for net return on pension scheme:		
Interest income	x	1,200
Interest cost	x	(1,500)
Net interest charged	xx	(300)
Credit/charge to other comprehensive income:		
Return on assets	x	6,000
Other experience	x	0
Gains and losses arising on changes in financial assumptions	x	(4,500)
Actuarial Gain/(Loss)	xx	1,500
Total charge to the SOI	xxx	(1,300)

Analysis of the movement in deficit during the year:		
Deficit in scheme at start of year	(10,100)	(10,000)
Service costs	x	(2,500)
Employer contributions	x	1,200
Net interest costs	x	(300)
Actuarial gain/(loss)	x	1,500
Deficit in scheme at end of year	xx	(10,100)