**Furlough accounting**

Grants provided through the Coronavirus Job Retention Scheme are government grants and should be accounted for in accordance with Section 24 of FRS 102 and Section 17 of the SORP. Before government grants are recognised, FRS 102 requires there to be a level of reasonable assurance that the entity will:

* comply the conditions attaching to the grant; and
* the grant will be received. (FRS 102.24.3A).

In the University, all claims have been reviewed centrally and are therefore believed to comply with conditions and due to be received.

FRS 102 and the SORP provide two methods for recognising government grants – either the performance model or the accrual model. The University uses the performance model.

Under the performance model, government grants are recognised as income when the performance-related conditions are met. It would be reasonable to treat the obligation to make payments to employees who are on furlough as a performance-related condition. Therefore, the income should be recognised as these costs are incurred. This will result in the same accounting treatment as under the accruals method.

The income should be recognised within the Statement of Comprehensive Income and Expenditure (SOCIE) as Other income. In the University it will be posted to 47310.

As the grant is material the total will be disclosed separately in line with paragraphs 3.8 to 3.13 of the SORP. Paragraph 2.52 of FRS 102 does not allow income and expenses to be offset. Therefore, the grant cannot be netted off against staff costs in the financial statements, irrespective of its presentation for funder reporting.

Where a furlough claim has not been paid by HMRC at year end, then the income may still be recognised as long there is reasonable assurance that the grant will be received and is in compliance with the relevant conditions to make the claim (i.e. it has been prepared in line with HMRC guidance).

*Operational issue*

If research staff are furloughed and a department wants or needs to offset these costs by reducing the salary costs for funder reporting then an operational issue may arise. This can be adjusted for management accounting and funder claims. Any such adjustment should be removed for financial reporting to show the furlough claims as Other Income.