



ACCOUNTING POLICY

Version 1.0 – 8th July 2016

Policy Approval Accounting Policy

St Alban Catholic Academies Trust

APPROVED BY THE DIRECTORS ON

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SIGNED BY CHAIR OF DIRECTORS

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DATE

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PRESENTED TO GOVERNORS ON

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SIGNED BY CHAIR OF GOVERNORS

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DATE

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1. Accounting Policies

1.1. Basis of Preparation of financial statements

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) 2015 “Accounting and Reporting by Charities” effective for accounting periods commencing on or after 1 January 2015, the Academies Accounts Direction 2016, issued by the EFA, applicable accounting standards and the Companies Act 2006.

1.2. Fund accounting

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the Trust at the discretion of the Directors.

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by funders where the asset acquired or created is held for a specific purpose.

Restricted general funds comprise all other restricted funds received and include grants from the Department for Education.

Investment income, gains and losses are allocated to the appropriate fund.

1.3. Incoming resources

All incoming resources are included in the statement of financial activities when the Academy Trust has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability.

Grants are included in the statement of financial activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of entitlement of receipt; its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued and included in debtors.

General Annual Grant is recognised in full in the year for which it is receivable and any unspent amount is reflected as a balance in the restricted general fund.

Capital grants are recognised when receivable and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance of the restricted fixed asset fund.

Sponsorship income provided to the Trust which amounts to a donation is recognised in the statement of financial activities in the period in which it is receivable, where there is certainty of receipt and it is measurable.

The value of donated services and gifts in kind provided to the Trust are recognised at their open market value in the period in which they are receivable as incoming resources, where the benefit to the Trust can be reliably measured. An equivalent amount is included as expenditure under the relevant heading in the statement of financial activities, except where the gift in kind was a fixed asset in which case the amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the Trusts policies.

Donations are recognised on a receivable basis where there is certainty of receipt and the amount can be reliably measured.

Income tax, recoverable in relation to donations received under gift aid or deeds of covenant, is recognised at the time of the donation.

Other income, including hire of facilities, is recognised in the period in which it is receivable and to the extent that the goods have been provided or on completion of the service.

School trips and activities are included in restricted voluntary funds. Income is recognised when received and expenditure is recognised when paid, with any surplus being carried forward within restricted voluntary funds on the balance sheet until the trip or activity is completed.

1.4. Resources expended

Expenditure is recognised in the period in which a liability is incurred and has been classified under headings that aggregate all costs related to that category. Where costs cannot be directly attributed to particular headings they have been allocated on a basis consistent with the use of resources, with central staff costs allocated on the basis of time spent and depreciation charges allocated on the proportion of the asset's use. Other support costs are allocated based upon the spread of staff costs.

Costs of generating funds are costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.

Charitable activities are costs incurred in the Trusts educational activities.

Governance costs include the costs attributable to the Trusts compliance with constitutional and statutory requirements, including audit, strategic management and Trustees' meetings and reimbursed expenses.

1.5. Going concern

The Trustees assess whether the use of "going concern" is appropriate including whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the Trust to continue its operations. The Directors make this

assessment in respect of a period of one year from the date of approval of the financial statements.

1.6. Tangible fixed assets and depreciation

All assets with an expected useful life exceeding one year and each costing more than £2,000 are capitalised.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the balance sheet at cost and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund in the statement of financial activities and are carried forward in the balance sheet. Depreciation on such assets is charged to the restricted fixed asset fund in the statement of financial activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the Trust's depreciation policy.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life.

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. These impairment losses are recognised in the statement of financial activities.

Depreciation is charged on assets at the following rates appropriate rates as per the scheme of delegation:

1.7. Fixed asset transfers from predecessor schools

Where fixed assets are transferred to the charitable company from the predecessor schools, these have been included at fair value determined in accordance with a professional valuation as at the date of transfer, conducted by the District Valuer Services.

1.8. Leases

Rentals under operating leases are charged to the statement of financial activities on a straight line basis over the term of the lease.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the rent is expected to be adjusted to the prevailing market rate.

1.9. Taxation

The Academy Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Academy Trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter

3 Part 11 of the 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.

1.10. Pensions

Retirement benefits to employees of the Academy Trust are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes and the assets are held separately from those of the Academy Trust.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over the employees' working lives with the Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. The TPS is a multi-employer scheme and the Trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions are recognised as they are paid each year.

The LGPS is a funded scheme and the assets and liabilities are held separately from those of the Trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to the operating surplus are the current service costs and gains and losses on the settlements and curtailments. They are included as part of the staff costs. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, these costs are recognised over the period vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits within direct costs. Actuarial gains and losses are recognised immediately in other gains and losses.

1.11. Conversion to an academy trust

The conversion from a VA/state maintained school to the Trust will involve the transfer of identifiable assets and liabilities and the operation of the school for £nil consideration. The substance of the transfer is that of a gift and it has been accounted for under the acquisition accounting method. The assets and liabilities transferred on conversion will be valued at their fair value, being a reasonable estimate of the current market value that the directors would expect to pay in an open market for an equivalent item. The amounts will be recognised under the appropriate balance sheet categories, with a corresponding amount recognised in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.