



Three  
Spires  
TRUST

*'Life in all its fullness'*

# Accounting Policy

Policy owner	Chief Financial Officer
Approved by	Trust Board
Approval date	Summer 2023
Review date	Summer 2024

## **Basis of preparation**

The financial statements of the Academy Trust, which is a public benefit entity under FRS 102, are prepared under the historic cost convention in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2021 to 2022 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

Three Spires Trust meets the definition of a public benefit entity under FRS 102.

## **Going Concern**

The trustees will assess whether the use of the “going concern principle” is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the Academy Trust to continue as a going concern. The trustees will make the assessment in respect of a period of at least one year from the date of authorization for issue of the financial statements and have concluded that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the Academy Trust’s ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

## **Income**

All incoming resources are recognized when the Academy Trust has entitlement to the funds, the result is probable and the amount can be measured reliably.

- **Grants**

Grants are included in the Statement of Financial Activities (SOFA) on a receivable basis. The balance of income received for specific purposes but not expended during the period will be shown in the relevant funds on the balance sheet. Where income is received in advance of meeting any performance related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance related conditions are met. Where entitlement occurs before income is received, the income will be accrued.

General Annual Grant is recognised in full in the Statement of Financial Activities in the year for which it is receivable and any abatement in respect of the year is deducted from income and recognised as a liability.

Capital Grants are recognised in full when there is an unconditional entitlement to the grant. Unspent amounts of capital grants are reflected in the Balance Sheet in the restricted fixed asset fund. Capital Grants are recognised where there is entitlement and are not deferred over the life of the asset on which they are expended.

- **Donations**

Donations are recognised on a receivable basis (where there are no performance related conditions), where the receipt is probable and the amount can be reliably measured.

- Sponsorship income provided to the Academies which amounts to a donation is recognised in the SOFA in the period in which it is receivable, with the exception of School Trips (restricted fund) if this income is received in advance of entitlement of receipt its recognition will be deferred. Any sponsorship money received with no restriction on its use will be credited to the unrestricted fund in the SOFA.
- Donated services and gifts in kind - The value of donated services and gifts in kind provided to the Academy Trust is recognised at their open market value in the period in which they are receivable as incoming resources, where the benefit to the Academy Trust can be reliably measured. An equivalent amount will be included as expenditure under the relevant heading in the SOFA, except where the gift in kind is a fixed asset in which case the amount will be included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with Academy Trust's policies.
- **Other Income**  
Other income, including the hire of facilities, is recognised in the year it is receivable and to the extent the Academy Trust has provided the goods or services.
- **Transfer of existing academies into the Academy Trust**  
Where assets and liabilities are received on the transfer of an existing academy into the Academy Trust, the transferred assets are measured at fair value and recognised in the Balance Sheet at the point where the risks and rewards of ownership pass to the Academy Trust. An equal amount of income is recognised for the transfer of an existing academy into the Academy Trust within "Income from Donations and Capital Grants" to the net assets acquired.
- **Donated fixed assets (excluding transfers on conversion or into the academy trust)**  
Where the donated good is a fixed asset it is measured at fair value, unless it is impractical to measure this reliably, in which case the cost of the item to the donor should be used. The gain is recognised as "Income from Donations and Capital Grants" and a corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the Academy Trust's accounting policies.

## Expenditure

Expenditure is recognized once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use. Other support costs will be allocated based on the spread of staff costs.

- **Expenditure on raising funds**
  - › This includes all expenditure incurred by the academy trust to raise funds for its charitable purposes and includes costs of all fundraising events and non-charitable trading.

- **Charitable activities**
  - › These are costs incurred on the Academy Trust's educational operations, including support costs and costs relating to the governance of the Academy Trust apportioned to charitable activities
  - › All resources expended are inclusive of irrecoverable VAT.
- **Governance Costs** includes the costs attributable to the Academy Trust's compliance with constitutional and statutory requirements, including audit, strategic management and Governor's meetings and reimbursed expenses.
- Resources are recorded net of VAT, with the exception of business costs where VAT is irrecoverable. They are classified under headings that aggregate all costs relating to that activity.

## **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 Part 11, Chapter 3 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.

## **VAT**

The Academy Trust is VAT registered, as the trading activity of the Academy Trust attracts income over the £85,000 limit for the company to be registered for VAT. The Academy Trust completes a VAT126 claim on a monthly basis to claim back VAT on expenditure incurred as part of its charitable activity.

## **Accounting for fixed assets**

Assets costing £1,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets are 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. Where there are specific conditions attached to the funding requiring the continued use of the asset, the related grants will be credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet.

Depreciation on the relevant assets will be 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 Academy Trust's depreciation policy. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

## **Depreciation**

Depreciation is provided on all tangible fixed assets other than freehold land and assets under construction, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful lives, as follows:

Depreciation is provided on the following bases:

- Leasehold Land 0.8 % straight line
- Leasehold property 2-10% straight line
- Furniture and equipment 10% straight line
- Computer equipment (3 years) 33.3% straight line
- Property improvements 2-10% straight line

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

A review for impairment of a fixed asset will be 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. Impairment losses are recognised in the Statement of Financial Activities.

### **Leased Assets**

Rentals under operating leases will be charged to the Statement of Financial Activities on a straight-line basis over the lease term.

Finance leases are strictly prohibited in line with the Academies Handbook.

### **Investments**

The Academy Trust does not hold any investments at the current time. The accounting policy will be determined if and when the need arises.

### **Stock**

All stock over the value of £1,000 is valued and recorded in the financial statements. The expenditure code where the stock is held will be credited and the stock account debited as at 31<sup>st</sup> August, this will be reversed at 1<sup>st</sup> September in the new accounting period.

The types of stock that the trust may hold include uniform stock, catering supplies and provisions, together with consumables for sale, such as stationery/revision guides etc.

### **Debtors**

Trade and other debtors are recognized at the settlement amount after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

## **Cash at Bank and in hand**

Cash at bank and in hand includes cash and short-term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

## **Liabilities**

Liabilities are recognized when there is an obligation at the Balance Sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognized at the amount that the Academy Trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide.

## **Pensions Benefits**

Retirement benefits to employees of the Academy Trust (with the exception of St Thomas' Nursery) are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes.

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 Academy 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 unit credit method. The TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. The Academy 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 for accounting purposes and the contributions recognised in the period to which they relate.

The ESFA requires each trust to carry an annual external audit of the Teachers pensions scheme as at the 31<sup>st</sup> March each year.

The LGPS is a funded multi-employer scheme and the assets are held separately from those of the Academy 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 credit 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 will be obtained at least triennially and will be updated at each balance sheet date. The amounts charged to operating surplus will be the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They will be included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognized in the Statement of Financial Activities and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on scheme assets and the actual return on the scheme assets is recognized in other recognized gains and losses.

Actuarial gains and losses will be recognised immediately in other gains and losses. The last actuarial review for the Trust was carried out for the 3 years commencing April 2022.

The LGPS employer contribution rates are as follows:

- April 2022 - 22.2%
- April 2023 - 22.2%
- April 2024 - 22.2%

Staff at St Thomas' Nursery who satisfy the age and earnings criteria are auto-enrolled into the Smart Pension workplace pension scheme and the Trust pay at least the minimum level of contribution. This is a defined contributions pension scheme and the earnings trigger and the qualifying earnings bands are set in legislation and reviewed annually

### **Fund Accounting**

- Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the Academy Trust at the discretion of the trustees.
- Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the Education and Skills Funding Agency (ESFA) or other Funders where the asset acquired or created is held for a specific purpose.
- Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder/donor and include grants from the Department for Education Group.