Three Spires TRUST

'Life in all its fullness'

Accounting Policy

Policy owner	Chief Financial Officer
Approved by	Trust Board
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Policy Version Control

Version	Date	Author	Changes
1.0	Summer 2022	CFO	Original Policy
2.0	29/06/2024	CFO	Policy rewritten Contents added

Contents

1. Aims

As per paragraph 2.125 of the Education and Skills Funding Agency's Academies Accounts Direction 2023 to 2024, these accounting policies aim to set out the principles, bases, conventions and rules by which transactions and items are recognised, measured and presented in the academy trust's accounts.

2. Legislation and statutory requirements

The Education and Skills Funding Agency (ESFA) requires academy trusts to prepare their financial statements according to UK Generally Accepted Accounting Practice (UK GAAP) and this assumption must be disclosed in the notes to the annual accounts under the heading of 'accounting policies'.
The accounting policies have also been written in line with the requirements of:

- The Academy Trust Handbook
- The Academies Accounts Direction
- The Academies model accounts

The Academies Accounts Direction 2023 to 2024 is based on the Charities Statement of Recommended Practice (SORP) 2019 and Financial Reporting Standard (FRS) 102.

A summary of the principal accounting policies, which are applied consistently, except where noted, is set out below.

3. Roles and responsibilities

Academy trustees

The board of trustees is required to approve the trust's accounting policies, which are incorporated within the annual report and accounts.

As per the Academies Accounts Direction 2023 to 2024, the trustees also review these policies regularly, and only implement new policies where:

- This is required by Financial Reporting Standard (FRS) 102; or
- This is judged to provide more reliable, appropriate and relevant information about the effect of transactions, other events or conditions that affect the financial position, performance or cash flows of the academy trust

The board of trustees ensures that the trust's accounting policies are being applied consistently across the academies within the trust.

4. Basis of preparation

The financial statements are prepared under the accruals convention using historical cost as the basis for asset evaluation.

In accordance with requirements, the financial statements reflect that the trust is a public benefit entity and contain a balance sheet, a statement of financial activities and explanatory notes. The accounts are prepared and audited in line with:

- Financial Reporting Standard (FRS) 102

- The current regulations and requirements of the ESFA, including the Academies Accounts Direction
- The Charities Statement of Recommended Practice (SORP) 2019
- Applicable charity and company law

The trustees are required to ensure that the trust's accounts are prepared in compliance with the Companies Act 2006. A departure from any of these basic accounting principles will require disclosure notes in the accounts together with the reasons for the departure.
The accounting officer is responsible for ensuring that all reasonable controls are in place.

Overall, the accounts must always give a true and fair view. This will be determined by the appointed auditors.

5. Accruals concept

All income and expenditure for the period to which the accounts relate are included in those accounts.

In preparation for year-end, an exercise is completed to ensure all invoices and debts are settled to minimise the necessity for provisions.

6. Liabilities

Liabilities are shown in the balance sheet where goods or services have been received but the payment has not been made during that period. The value is that identified on the order or invoice, or other contractual documentation.

7. Provisions

Provisions are shown in the balance sheet for obligations, such as pension contributions, tax liabilities or other payments to similar funds or bodies where the payment has been deferred.

8. Financial instruments

The academy trust only holds basic financial instruments as defined in FRS 102.
The financial assets and financial liabilities of the academy trust are as follows:

- Cash at bank, including all current and deposit accounts belonging to the trust
- Cash in hand, including any petty cash imprest and monies not yet banked
- Financial debtors, including all monies owing to the trust
- Financial liabilities, including all current commitments of the trust in terms of unpaid invoices and debts

9. Historical cost convention

The revenue, costs, and any assets bought by the trust are recognised in the accounts at the original cost regardless of present value.

10. Going concern

For the purposes of these accounting policies, references to the trust as a going concern relate specifically to the financial position of the trust, and not organisational or structural changes that may affect the continuation of the trust in its present state (e.g. re-brokerage).

The accounts are prepared on the assumption that the trust has adequate resources to allow it to continue to function in the future and is therefore 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.

The trustees assess whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the trust to continue as a going concern. The trustees make this assessment in respect of a period of 1 year from the date of the approval of the financial statements. They have concluded that no such material uncertainties apply.

11. Consistency

The trustees have agreed on suitable accounting policies for depreciation of business assets, and accounting for stock valuation. These are applied consistently across the trust and over comparative financial years.

12. Prudence

The accounts are prepared prudently. This means that only realised transactions are included in the income and expenditure statements. For example, income is included only where it is either received or its receipt is certain and applicable within the period.

Debts are considered and only written off in accordance with ESFA regulations.

13. Netting off

Items are not netted off in the accounts. The accounting system identifies all transactions and the financial procedures require that income and expenditure are fully recorded and not subject to netting off.

14. Accounting treatment of income

All income is on a receivable basis.

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 goods, facilities and services - Goods donated for resale are included at fair value, being the expected proceeds from sale less the expected costs of sale. If it is practical to assess the fair value at receipt, it is recognised in stock and ‘Income from other trading activities’. Upon sale, the value of the stock is charged against ‘Income from other trading activities’ and the proceeds are recognised as ‘Income from other trading activities’. Where it is impractical to fair value the items due to the volume of low value items, they are not recognised in the financial statements until they are sold. This income is recognised within ‘Income from other trading activities’.

- **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 on conversion**

  Where assets and liabilities are received on the transfer of an existing academy into the Academy Trust, the transferred net 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 “Donations and Capital Grants Income” 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 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.

15. Accounting treatment of resources expended

All expenditure is recognised in the period in which goods or services are received. 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 a proportion of VAT is irrecoverable. They are classified under headings that aggregate all costs relating to that activity.

16. Accounting for fixed assets

Assets received on conversion or on transfer of an existing academy are valued at fair value and recognised in the balance sheet at the date of transfer.

Donated fixed assets are measured at fair value on the date of receipt.

Tangible fixed assets valued at £1,000 or greater are capitalised as tangible fixed assets and are carried at cost, net of depreciation. The value of assets is included in the balance sheet at cost and depreciated over their expected useful economic life.

Where tangible fixed assets are acquired with the aid of specific grants, either from the government or from other sources, they are written down in the year of purchase as fully funded to account for the receipt of the grant.

Intangible fixed assets costing £1,000 or greater are capitalised and recognised at cost and depreciated over their expected useful life.

New freehold/leasehold buildings whose construction was overseen by the Department for Education (DfE) or a local authority (LA) and transferred to the academy trust on completion

During the construction phase:

- The DfE project team manages the site
- Construction costs are funded by the DfE
- There should be no recognition in the academy trust's financial statements

If the academy trust is partly funding construction of the site (e.g. additional assets outside of the DfE's minimum design specification) then these costs should be shown as assets under construction in the financial statements.

17. Depreciation

Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the Statement of Financial Activities. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

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% straight line
- Property improvements 0.8-10% 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 and reclassified to freehold or leasehold land and buildings.

Should an asset become damaged or lost without recovery, then this can be written off as disposed of. Where there is a remaining value then this is charged to the year of write off.

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.

18. Leased assets

Leased assets rentals under operating leases are charged on a straight-line basis over the lease term reflecting the payment terms.

19. 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.

20. Investments

The accounting policy for investments is determined when the need arises in conjunction with the Reserves & Investment Policy. Should an investment become possible, then the trust determines the minimum risk options available to protect public monies.

21. 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 VAT return on a monthly basis to claim back VAT on expenditure incurred as part of its charitable activity.

22. Reserves policy

The trustees review the level of reserves annually in line with the Reserves and Investment Policy.

23. Stock

All stock is valued and recorded in the financial statements at the lower of cost and net realizable value after making due allowance for obsolete and slow-moving stocks. Costs includes all direct costs and an appropriate proportion of fixed and variable overheads. The expenditure code where the stock is held will be credited and the stock account debited as at 31st August, this will be reversed at 1st 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.

24. Taxation

The academy trust meets the definition of a charitable company for UK corporation tax purposes.

The academy trust is, by definition, exempt from taxation in respect of income, capital gains and corporation taxes on the provision and understanding that all income and other gains are applied exclusively for educational purposes.

25. Pension benefits

The trust holds 2 types of pension benefits for its employees.

The 2 schemes are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, are contracted out of the State Earnings-Related Pension Scheme (SERPS), and the assets are held separately from those of the trust.

The LGPS is a funded scheme and the assets are held separately from those of the trust in separate trustee administered funds. The trust is liable for the “deficit” payment based on the annual actuarial value. Actuarial reviews of the LGPS are conducted annually and recognised as a separate fund within the accounts.

The TPS is an unfunded scheme and contributions are calculated to spread the cost of pensions over 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 based on quadrennial valuations using a prospective unit credit method. TPS is an unfunded multiemployer scheme with no underlying assets to assign between employers. Consequently, the TPS is 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 31st March each year.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

26. Fund accounting

Restricted general funds comprise income from any source where the funding is intended for a specific purpose. This includes all grants received from the ESFA and from any other funding body.

Unrestricted income funds represent those resources that may be used towards meeting any of the charitable objects of the trust at the discretion of the trustees.

Restricted fixed asset funds refers to income that is to be applied to specific capital purposes imposed by the ESFA or other funders where the asset acquired is for a specific purpose.

The trust will review the balance on restricted general funds (excluding pension reserves) plus the balance on unrestricted funds annually, as required. Where there is a deficit, the required disclosure will be made.

27. Critical areas of judgement

There are no critical areas of judgement relating to the multi-academy trust.

28. Monitoring arrangements

The board of trustees is responsible for the implementation of these policies.

These policies are reviewed by the board of trustees annually.

29. Links with other policies

These accounting policies are linked to the:

- Charging & Remissions policy
- Procurement Policy
- Reserves & Investment Policy
- Gifts & Hospitality policy
- Travel & Expenses Policy