2019 -2021

Potential in Everyone Academy Trust
CEO – David Whitehead

Accounting Policy

Committee	Board of Directors
Version	1.0
Author	Linda Lucas
Approved on	12 July 2019
Signature	Helen Stewart
New Review date	July 2021

Associated Documentation	

Contents

Part A – Policy **3**
1. Policy Statement 3
2. Scope of the policy 3
3. Adoption Arrangements and Date 3
4. Policy Review 3
5. Responsibilities of the Trust 3

Part B – Process **3**
6. Basis of Preparation 3
6.1 Going Concern 4
6.2 Incoming Resources 4
6.3 Resources Expended 4

Part A – Policy

1. Policy Statement

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 Academies Financial Handbook
- The Academies Accounts Direction

The Academies Accounts Direction is based on Charities (SORP) Statement of Recommended Practice (SORP) 2015 as amended by Charities SORP (FRS 102) Update Bulletin 1, and Financial Reporting Standard (FRS) 102.

Potential in Everyone Academy Trust's accounting policies are subject to constant review in line with direction from the ESFA

A summary of the principal accounting policies, which are applied consistently, except where noted, is set in this policy.

2. Scope of the policy

This Policy and Procedure applies to all current Employees of Potential in Everyone Academy Trust.

3. Adoption Arrangements and Date

This policy was adopted by the Board of Directors of Potential in Everyone Academy Trust on 12 July 2019 and supersedes any previous policy.

4. Policy Review

This policy will be reviewed by the Board of Directors annually in line with the updated Academies Accounts Direction or sooner if warranted by internal or external events or changes. The Trust Board must approve all changes.

5. Responsibilities of the Trust

- The Trust Board is required to approve the Trust's accounting policies, which are incorporated within the annual report and accounts.
- In line with the current Academies Accounts Direction, Directors 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 reliable and more appropriate and relevant information about the effect of transactions, other events or conditions that affect the financial position, performance or cash flows of the Trust
- The Trust Board ensures the Trust's accounting policies are being applied consistently across the academies within the trust.

Part B – Process

6. Basis of Preparation

The financial statements of the Trust, which is a public benefit entity under FRS 102 and will be prepared under the historical convention in accordance with applicable United Kingdom standards, the Charity Commission 'Statements of Recommended Practice: Accounting and Reporting by Charities' ('SORP 2005'), the Academies Accounting Direction issued by the EFA and the Companies Act 2006.

A summary of the principal accounting policies that will be applied are set out below.

6.1 Going Concern

Trust directors 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 Trust to continue as a going concern. The directors will make the assessment in respect of a period of one year from the date of the approval of the financial statements.

6.2 Incoming Resources

Incoming Resources

All incoming resources are recognised when the academy trust has entitlement to the funds, certainty of receipt and the amount can be measured with enough reliability.

Grants Receivable

Grants will be 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 is shown in the relevant funds on the balance sheet. Where income is received in advance of entitlement of receipt its recognition will be deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income will be accrued.

General Annual Grant (GAG) is recognised in full in the year for which it is receivable, and any unspent amount will be reflected as a balance sheet 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 will be reflected in the balance in the restricted fixed asset fund.

Sponsorship Income

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

Donations

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

Donated Goods, Facilities and Services

The value of donated services and gifts in kind provided to the Trust will be recognised at their open market value in the period in which they are receivable as income in resources, where the benefit to the Trust can be reliably measured. An equivalent amount is 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 the academy trust's accounting policy.

Other Income

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

6.3 Resources Expended

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

Costs of generating funds

These will be costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds

Charitable Activities

These will be costs incurred on the Trust's educational operations

Governance costs

These will include the costs attributable to the Trust's compliance with constitutional and statutory requirements, including audit, strategic management and Directors' meetings and reimbursed expenses.

Resources will be recorded net of VAT, except for business costs where VAT is irrecoverable. They will be classified under headings that aggregate all costs relating to that activity.

Accounting for Tangible Fixed Assets

Assets costing £1000 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 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 the expected useful economic life. The related grants will be credited to a restricted fixed asset fund in the SOFA and carried forward in the Balance Sheet. Depreciation on such assets will be charged to the restricted fixed asset fund in the SOFA to reduce the fund over the useful economic life of the related asset on a basis consistent with the Trust's depreciation policy.

Accounting for Intangible Fixed Assets

Software and website related assets costing £1,000 or more will be capitalised as intangible fixed assets and will be carried at cost, net of depreciation and any provision for impairment. Depreciation on such assets will be charged to the restricted fixed asset fund in the SOFA to reduce the fund over the useful economic life of the related asset on a basis consistent with the trust's depreciation policy.

Depreciation

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

- Land 0%
- Freehold Buildings 2%
- Long-term Leasehold Property 2%
- Fixtures, Fittings and Equipment 25%
- ICT Equipment 25%
- Motor Vehicles 25%
- Software costs 25%

Assets in the course of construction will be 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 is carried out if events or charges 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 will be recognised as impairments. Impairment losses are recognised in the SOFA.

Liabilities

Liabilities will be recognised when there is an obligation at the balance sheet date as a result of 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 will be recognised at the amount that the 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.

Leased Assets

Rentals under operating leases are charged on straight line basis over the lease term.

Investments

The Trust does not hold any investments at the current time. The accounting policy is determined in the Trust's investment policy.

Stock

Unsold uniforms and catering stocks will be valued at the lower of cost or net realisable value.

Taxation

The 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 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.

Pensions Benefits

Retirement benefits to employees of the Trust 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 TPS is an unfunded scheme and contributions are calculated to spread the cost of pensions over 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 based on quinquennial valuations using a prospective benefit method. 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 recognised as they are paid each year.

The LGPS is a funded scheme and the assets 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 operating surplus are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs.

Past service costs are recognised immediately in the SOFA if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest.

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

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 Trust Board.

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the 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 Education Funding Skills Agency/Department for Education

Conversion to an academy trust

The conversion from Local Authority maintained schools into the Trust involved the transfer of identifiable assets and liabilities and the operation of the school for £NIL consideration and has been accounted for under the acquisition accounting method.

The assets and liabilities transferred on conversion into the Trust were valued at their fair value, being a reasonable estimate of the current market value that the Trust Board would expect to pay in an open market for an equivalent item. The fair value is in accordance with the accounting policies set out for the Trust. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in the SOFA and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.

The land and buildings are held on a 125-year lease from the Kent County Council for community schools and from the Diocese of Canterbury for church schools.

Director/Member Expenses

Director/Member expenses stated in the financial statements represent refunds by the Trust of legitimate payments made personally in order to carry out their duties as Director or Member. Director/Member expenses are reimbursed in line with the Trust's Governance Allowances Policy.