

# **Pennine Academies Yorkshire**

## **Accounting Policy**

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## **1. Basis of preparation**

The financial statements are prepared under the historical cost convention in accordance with applicable United Kingdom Accounting Standards, the Charity Commission 'Statement of Recommended Practice: Accounting and Reporting by Charities' ('SORP FRS (102)'), the Academies Accounts Direction issued by the Education Skills Funding Agency and the Companies Act 2006. A summary of the principal accounting policies, which are applied consistently, except where noted, as set out below.

## **2. Conversion to an academy trust**

The conversion from a state-maintained school to an academy trust involves the transfer of identifiable assets and liabilities and the continued operation of the school for £Nil consideration and is accounted for under the acquisition accounting method.

The assets and liabilities transferred on conversion to an academy trust are valued at their fair value, being a reasonable estimate of the current market value that the Trustees would expect to pay in an open market situation for an equivalent item. The fair value is in accordance with the accounting policies set out for all schools. The amounts are recognised under the appropriate balance sheet categories, with a corresponding amount recognised in voluntary income as net income/net expenditure in the Statement of Financial Activities and analysed under restricted general funds and restricted fixed asset funds. Further details of the transaction are set out in notes to the accounts.

## **3. Going concern**

The Trustees assess whether the use of a going concern basis 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 company to continue as a going concern. The Trustees make this assessment in respect of a period of one year from the date of approval of the financial statements.

## **4. Incoming resources**

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

## **5. Grants receivable**

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 value of the income is accrued.

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 in the restricted fixed asset fund.

## **6. Sponsorship income**

Sponsorship income provided to the Academy 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.

## **7. Donations**

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

## **8. Other income**

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

## **9. Donated services and gifts in kind**

The value of donated services and gifts in kind provided to the Academy Trust are 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 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 Academy Trust's policies.

## **10. Resources expended**

All 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 costs allocated on the basis of size of turnover, and depreciation charges allocated on the portion of the asset's use.

All resources expended are inclusive of any irrecoverable VAT.

## **11. Cost of generating funds**

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

## **12. Charitable activities**

These are costs incurred on the Academy Trust's educational operations.

## **13. Governance costs**

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

## **14. Tangible 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 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 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 Academy 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 over its expected useful lives, per the table below.

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. Impairment losses are recognised in the Statement of Financial Activities.

<b>Asset class</b>	<b>Depreciation method and rate</b>
Leasehold Land & Buildings	Over the residual period of the lease
Computer equipment or software	Over 3 years on a straight line basis
Furniture and equipment	Over 5 years on a straight line basis

## **15. Leased assets**

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

## **16. Taxation**

The Academy Trust is considered to meet 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.

## **17. Pension benefits**

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, are contracted out of the State Earnings-Related Pension Scheme ('SERPS'), 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 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 benefit method. As stated in the notes to the financial statements, the TPS is a multi-employer scheme and 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 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 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 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 Statement of Financial Activities 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.

## **18. 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 Skills Funding Agency/Department for Education/sponsor/other 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 Education Skills Funding Agency/Department for Education.

## 19. Statement

Where necessary, this policy should be read in conjunction with the following policies:

Investment Policy

Procurement Policy

## 20. Sign Off

Approved By (print name):	Nick Briggs
Role Title:	Chair of Trustees
Signature:	
Date:	27 May 2020