SHARE MULTI ACADEMY TRUST

ACCOUNTING POLICIES

ACADEMIC YEAR 2016-17

Version:	1.5
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Date:	5th May 2016 and 30th November 2016
Approved by Audit Committee:	1st December 2016
To be reviewed:	May 2017
Signed:	CP

Record of Alterations

Version 1.0 Original (Sept 11 on conversion to Shelley Academy)

Version 1.1 Minor amendments following Trustees' meeting (Sept 12)

Version 1.2 Minor amendments following Trustees' meeting (Dec 13)
Reviewed Sept 14 – no amendments

Version 1.3 Reviewed Jun 15 – amended as a SHARE Multi Academy Trust document, with minor amendments to the format and language used

Version 1.4 Reviewed Nov 15 – Policy added (Topsliced Charge for Central Costs)

Version 1.5 Reviewed May and 30th November 16

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1 INTRODUCTION

The Companies Act 1985 (Schedule 4(35) and (36)) and FRS 18 require that accounting policies "judged to be material or critical in stating the financial position" should be included as a note to the accounts. FRS 18 sets out the principles to be followed in selecting accounting policies and the disclosures required. Where accounting standards permit a choice, FRS 18 requires an entity to select those policies judged to be most appropriate to its particular circumstances and also provide a true and fair view. The choice should be made against the objectives of relevance, reliability, comparability and understandability, and these different objectives must be balanced as well as cost/benefit considerations considered.

2 ACCOUNTING POLICIES

Basis of Preparation

The financial statements of the trust, which is a public benefit entity under FRS 102, have been prepared under the historical 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 2015 to 2016 issued by EFA, the Charities Act 2011 and the Companies Act 2006.

First time adoption of FRS 102

2015-16 financial statements are the first financial statements of the trust prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the Charities SORP 2015 (SORP 2015). The financial statements of the trust for the period ended 31 August 2015 were prepared in accordance with previous Generally Accepted Accounting Practice ('UK GAAP') and SORP 2005. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP.

Going Concern

The directors assess whether the use of going concern is appropriate, ie 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 directors make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the 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.

Incoming Resources

All incoming resources are recognised when the trust has entitlement to the funds, the receipt is probably and the amount can be measured reliably.

- **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 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 is 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 period is deducted from income and recognised as a liability.
Capital grants are recognised when there is entitlement 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.

- **Sponsorship Income**
  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 are no performance-related conditions), where the receipt is probable and it can be measured reliably.

- **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.

- **Other Income**
  Other income, including the hire of facilities, is recognised in the period it is receivable and to the extent the trust has provided the goods or services.

- **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 charges 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. The income is recognised within 'Income from other trading activities'.

  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 trust's accounting policies.

Resources Expended

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probably that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measure reliably. Expenditure is classed 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 spend, and depreciation charges allocated on the portion of the asset's use.

Fundraising Expenditure

This includes all expenditure incurred by the trust to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.

Charitable Activities

These are costs incurred on the trust's educational operations, including support costs and costs relating to the governance of the trust apportioned to charitable activities.

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Tangible Fixed Assets

Assets costing £500 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. Where there are specific conditions attached to the funding requiring the continued use of the asset, 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 the relevant assets is charged 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, at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life, as follows:

Long leasehold buildings	25 years
Fixtures, fittings and equipment	10 years
Computer equipment	3 years
Projectors & Interactive Whiteboards	5 years
Motor vehicles	7 years

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.

Land and Buildings are independently valued every 3 years, with the results shared with Directors and discussed with the Trust's external auditors to determine whether any revaluation is deemed material.

Liabilities

Liabilities are recognised 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 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.

Provisions

Provisions are recognised when the trust has an obligation at the reporting date as a result of a past event which is probable will result in the transfer of economic benefits and the obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within the interest payable and similar charges.

Leased Assets (Operating Leases)

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

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Stock
Stocks of consumables are valued at the lower of cost or net realisable value. The following consumables are included in the valuation in the annual accounts: ICT, Catering, Cleaning, Premises Maintenance, Stationery and Educational Consumables (eg Science, ART and Technology stock).

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 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.

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.

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 quadrennial valuations using a prospective unit credit method. As stated in Note 25, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. 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 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 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 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 the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability is also recognised 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 the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

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 trustees.

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 with restrictions imposed by the funder/donor and include grants from the Education Funding Agency and Department for Education.

Critical accounting estimates and areas of judgment
Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions
The trust makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions, will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are reported in the annual accounts. In the 2015-16 published accounts, the following statement was included:

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, will impact the carrying amount of the pension liability.

Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 August 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Conversion to Multi Academy Trust
The conversion from a state maintained school to a Multi Academy Trust, involves the transfer of identifiable assets and liabilities and the operation of the schools within the trust for £nil consideration. The substance of transfers is deemed a gift and is accounted for on that basis. Assets and liabilities transferred on conversion to the trust are valued at their fair value, with the long leasehold of land & buildings and the pension scheme (deficit) balance independently valued at the date of transfer. The amounts are recognised under the appropriated balance sheet categories, with a corresponding amount recognised in voluntary income – transfer from local authority on conversion in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.

Central Services
The key price for partner schools is the percentage of the General Annual Grant (GAG), plus Early Years Funding, that will be retained centrally, and, nationally, academy chains are known to charge between 3% and 5%.

The Trust set the charge at 4.2% in 2016-17. This will cover the essential services of finance systems, HR advice and support and ICT management and support, together with a contribution to the central management costs. In these early days of the trust, our costs are subsidised by building capacity grants. Our model does, however, mean we need to grow the number of partners to make the costs sustainable in the longer term.

As the Trust grows, we intend to keep the charge at around 5%, but provide additional services such as a school improvement team. A larger trust will enable the central management team’s costs to be covered in full by the contributions made.

3 CONCLUSION

Accounting Policies are reviewed annually. Where a material change in policy occurs - a prior period adjustment is required. The policies listed above are not intended to be exhaustive and may need to be varied as circumstances dictate.