

# ACCOUNTING POLICY

Learning Academies Trust  
Effective from 1<sup>st</sup> September 2024

Version: 1.4

Approved by: Finance Committee

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## CHANGES

Policy date	Summary of change	Author	Version	Review date
07/07/2020	Policy has been created	Kay Mabin, CFO	1.0	10/07/2021
01/07/2021	Annual policy review	Kay Mabin, CFO	1.1	01/07/2022
01/09/2022	Annual policy review. Capitalisation limit increased from £1000 to £5000 & reserves paragraph updated	Kay Mabin, CFO	1.2	01/09/2023
01/09/2023	Policy has been reviewed/updated. Reserves maintained at 4% of total Trust income. Depreciation rates reviewed/updated. Accruals increased from £100 to £500.	Kay Mabin, CFO	1.3	01/09/2024
01/09/2024	Annual policy review	Kay Mabin, CFO	1.4	01/09/2025

## 1. AIMS

The Education and Skills Funding Agency's [Academies Accounts Direction 2023 to 2024](#), 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 GUIDANCE

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 policy has also been written in line with the requirements of:

- [The Academy Trust Handbook](#)
- [The Academies Accounts Direction](#)

The Academies Accounts Direction 2023 to 2024 is based on [Charities Statement of Recommended Practice \(SORP\) 2015](#) as amended by [Charities SORP \(FRS 102\) Update Bulletin 1](#), 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 Standards (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
- 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) 2015
- 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.

At year end, a de-minimis of **£500** is applied for both sundry creditors and sundry debtors.

Where an individual invoice or receipt is less than **£500** then no provision is made. This is to minimise the number of sundry transactions.

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. Subject to the de-minimis value agreed, 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

The accounts are prepared on the assumption that the trust will continue to function in the future and is therefore a going concern.

The trustees will assess if 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 will make the assessment in respect of a period of one year from the date of the approval of the financial statements. If no such material uncertainties apply, then this will be stated

## 11. CONSISTENCY

The trustees have agreed on suitable accounting policies for depreciation of business assets, foreign exchange translation 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 recognised when the academy trust has entitlement to the funds, the receipt is probable and the amount can be measured reliably.

Grants receivable are included in the statement of financial activities (SOFA) on a receivable basis. Any 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 accrued and included in creditors as deferred income.

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 when there is entitlement and are not deferred over the life of the asset on which they are expended.

Sponsorship income (if applicable) provided to the academy trust which amounts to a donation is recognised in the SOFA in the period in which it is receivable (where there are no performance-related conditions).

Donations are recognised on a receivable basis (where there are no performance-related conditions).

Other income, such as fees for breakfast and after school clubs, is recognised in the period it is receivable.

## 15. ACCOUNTING TREATMENT OF RESOURCES EXPENDED

All expenditure is recognised in the period in which goods or services are received.

All expenditure is classified in the accounts under an appropriate heading to the type of goods or services purchased.

In relation to the costs of generating funds, where a fundraising activity incurs expenditure in order to raise the income, this is clearly shown in the accounts. Large activities (e.g. school trips and residential) are given a discrete cost centre for both income and expenditure to enable a trading account to be extracted for monitoring purposes.

Governance costs include the costs attributable to the trust's compliance with constitutional and statutory requirements, including audit, strategic management and trustees' meetings and reimbursed expenses.

Resources are recorded net of VAT, with the exception of business costs where VAT is identified as irrecoverable. They are classified under headings that aggregate all costs relating to that activity.

Where identified, costs incurred centrally on behalf of the academies of the trust are recharged for their proportion of those costs. The basis of proportion is determined for each type of cost incurred.

Where the expenditure is shared between more than one school within the trust, the cost is apportioned on a basis consistent with the use of those resources and agreed in advance with each constituent academy.

## 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 **£5,000** 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 **£5,000** or greater are capitalised and recognised at cost and depreciated over their expected useful life.

## 17. DEPRECIATION

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:

- Freehold buildings – **50 years. Land not depreciated.**
- Long leasehold buildings – **50 years. Land - 125 years or as long as the lease, whichever is shorter**
- Fixtures, fittings and equipment – **5 years**
- ICT equipment – **3 years**
- Motor vehicles – **5 years**
- Purchased computer software – **3 years**

Depreciation on assets still in construction is not charged until they are brought into use.

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.

## 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. INVESTMENTS

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

The trust does not hold any investments at the current time.

Please refer to separate Investments policy.

## 20. RESERVES POLICY

The trustees review the level of reserves annually.

The main financial risk to the Learning Academies Trust is that of managing its short-term cash flow effectively. To mitigate this risk, it has been agreed that an appropriate minimum reserves balance to be maintained would equate to **4% of total Trust revenue income**. This amount excludes all restricted/designated funds.

Please see separate reserves policy.

## 21. 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.

## 22. PENSION BENEFITS

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

The two 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 every 3 years and recognised as a separate fund within the accounts.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

## 23. 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 which may be used towards meeting any of the charitable objects of the trust at the discretion of the trustees.

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

## 24. REVIEW OF POLICY

The accounting policy will be reviewed by the Finance & Resources Committee on an annual basis.