

# THE ROWAN LEARNING TRUST



## ACCOUNTING POLICIES

ADOPTED AT THE MEETING OF FINANCE AND STAFFING COMMITTEE

HELD ON THURSDAY 9<sup>TH</sup> NOVEMBER 2017

REVIEWED AT THE MEETING OF THE RLT BOARD

HELD ON: 25 SEPTEMBER 2017

CHAIR OF BOARD:

A handwritten signature in black ink, appearing to read "C. Jones".



# THE ROWAN LEARNING TRUST

## ACCOUNTING POLICIES

**Basis of preparation** - The financial statements of the Academy Trust, which is a public benefit entity under FRS 102, will be 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 issued by the Education and Skills Funding Agency (ESFA), the Charities Act 2011 and the Companies Act 2006.

A summary of the principal accounting policies adopted (which will be applied consistently, except where noted), is set out below.

**Going Concern** – The Trustees will assess whether the use of going concern 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 academy to continue as a going concern. The Trustees will make the assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements.

### **Recognition of incoming resources**

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** 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 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 will be 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.
- **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 Academy which amounts to a donation will be recognised in the SOFA 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. Any sponsorship money received with no restriction on its use will be credited to the unrestricted fund in the SOFA.
- **Donated services and gifts in kind** - The value of donated services and gifts in kind provided to the Academy Trust will be 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.
- **Donated Fixed Assets** will be measured at fair market 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 will be recognised as income from donations and a corresponding amount will be included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with Academy Trust's accounting policies.
- **Other income**, including the hire of facilities will be recognised in the period it is receivable and to the extent the Academy Trust has provided the goods or services.

**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 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.

- **Costs of generating funds** - These will be costs incurred by the Academy Trust to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.
- **Charitable activities** – These will be 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.
- **Governance Costs** will include 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 will be recorded net of VAT, with the exception of business costs where VAT is irrecoverable. They will be classified under headings that aggregate all costs relating to that activity.

#### **Accounting for fixed assets -**

Assets costing £1,000 or more will be capitalised as tangible fixed assets and will be carried at cost, net of depreciation and any provision for impairment. Where tangible fixed assets are acquired with the aid of specific grants, either from the government or from the private sector, they will be included in the Balance Sheet at cost and depreciated over their 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 the relevant assets will be charged directly to the restricted fixed asset fund in the SOFA. Where tangible fixed assets are acquired with unrestricted funds, depreciation on such assets will be charged to the unrestricted fund.

#### **Depreciation**

Depreciation will be 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:

Leasehold buildings 2%

Leasehold improvements 4%

Land 0%

Fixtures, fittings and equipment 15%

ICT equipment 33%

Motor Vehicles 20%

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 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.

#### **Leased Assets**

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

#### **Investments**

Management of cash flow should ensure that there are always sufficient funds in the main bank accounts to cover operational costs. Trustees are committed to ensuring that all funds are managed in such a way as to maximise return whilst minimising risk, seeking to ensure that any cash not required for operating expenses is placed on deposit at the most favourable rate. The approval of the Accounting Officer is

required before any investment is made and a report is presented to the Audit Committee.

### **Stock**

Unsold Uniforms and Catering stocks are valued at the lower of cost or net realisable value.

### **Taxation**

The Academy 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 Academy 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.

### **Pensions 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 payrolls. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. 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 will be 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/asset 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 will be 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 Academy Trust at the discretion of the Trustees for individual Local Governing Bodies, so far as they have delegated authority.

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

This Policy was adopted by the Finance Committee and will be reviewed on a 3-yearly cycle and must be signed by the Chair of Governors and Headteacher.

Policy adopted:	Autumn term 2013	Reviewed:	Autumn Term 2017
Next Review:	Autumn Term 2020		
Signature of Chair of Governors:		Signature of Headteacher:	