ACCOUNTING POLICY

Prepared By	Chief Financial Officer
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HAMWIC TRUST
EDUCATION

ACCOUNTING POLICY

This document sets out the basis under which the Trust will prepare financial statements.

For the purpose of this document, all references to the Trust refers to Hamwic Education Trust & its academies.

Basis of preparation of financial statements
The financial statements, which is a public benefit entity under FRS 102, will be prepared under the historic 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 account 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 ESFA, the Charities Act 2011 and the Companies Act 2006.

Hamwic Education Trust meets the definition of a public entity under FRS 102.

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 and include grants from the Department for Education (DfE).

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

Income
All incoming resources will be recognised when the Trust has entitlement to the funds, the receipt is probable and the amount can be measured reliably.

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 will be shown in the relevant fund on balance sheet. When 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) will be recognised in full in the SOFA in the year for which it is receivable and any abatement in respect of the period will be deducted from income and recognised as a liability.

Capital grants will be recognised in full when there is an unconditional entitlement to the grant. Unspent amounts of capital grants will be reflected in the balance in the restricted fixed asset fund. Capital grants will be recognised when there is entitlement and are not deferred over the life of the asset on which they are expended.

Sponsorship income
Sponsorship income provided to the Trust 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.

Donations
Donations will be 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, will be recognised in the period it is receivable and to the extent the Trust has provided the goods or services.

Conversion to an academy
Where assets and liabilities are received by the Trust on conversion to an academy, the transferred assets will be measured at fair value and recognised in the balance sheet at the point when the risk & rewards of ownership pass to the Trust. An equal amount of income will be recognised as a transfer on conversion within income from donations and capital grants.

Transfer in of an existing academy
Where assets are received on the transfer of an existing academy into the Trust, the transferred assets will be measures at fair value and recognised in the balance sheet at the point when the risks and rewards of ownership pass to the Trust, which is on signing of the transfer agreement with the transferring trust. An equal amount of income will be recognised for the transfer of an existing academy into the trust within income and donations and capital grants.

Donated goods, facilities and services
Goods donated for resale will be included at fair value, being the expected proceeds from sales less the expected costs of sale. If it is practical to assess the fair value at receipt, it will be recognised in stock and 'Income from other trading activities'. Upon sale, the value of the stock will be charges against 'Income from trading activities' and the proceeds will be 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 will not be recognised in the financial statements until they are sold. This income will be recognised within 'Income from other trading activities'.

Where the donated good is a fixed asset it will be measured at fair value, unless it is impractical to measure this reliability, in which case the cost of the item to the donor will 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 the Trust's accounting policy.

Expenditure
Expenditure will be recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefit will be required in settlement and the amount of the obligation can be measured reliably. Expenditure will be classified by activity. The costs of each activity will be 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 will be 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 will be apportioned between those activities on a basis consistent with the use of resources. Central staff costs will be allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

Expenditure on raising funds
This will include all expenditure incurred by the Trust to raise funds for its charitable purposes and will include costs of all fundraising activities events and non-charitable trading.

Charitable activities
These will be costs incurred on the Trust's educational operations, including support costs and costs relating to the governance of the Trust apportioned to charitable activities.

All resources expended will be inclusive of irrecoverable VAT.

Tangible fixed assets and depreciation
Assets costing £3,000 or more will be 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 will be 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 will be credited to a restricted fixed asset fund in the SOFA and carried forward in the Balance Sheet. Depreciation on the relevant assets will be charged to the restricted fixed asset fund in the SOFA. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets will be charged to the unrestricted fund.

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:

- Freehold property – 50 years
- Motor vehicles – 5 years
- Fixtures and fittings – 5 years
- Computer equipment – 5 years

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 changed 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 will be recognised in the SOFA.

Liabilities
Liabilities will be 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 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.

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

Provisions will be 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 will be 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 will be recognised within interest payable and similar charges.

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

Debtors
Trade and other debtors will be recognised at the settlement amount after any trade discount offered. Prepayments will be valued at the amount prepaid net of any trade discounts due.

Cash at Bank and in hand
Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

Financial assets
Trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost. Prepayments are not financial instruments.

Financial liabilities
Trade creditors, accruals and other creditors are financial instruments, and are measured at amortised costs. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or other financial instruments. Amounts due to the any wholly owned subsidiary will be held at face value less any impairment.

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 will be 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 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. 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 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/asset is also recognised in the SOFA and comprises the interest cost on the defined benefit obligation and the 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 obligation. 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.

Critical accounting estimates and areas of judgement
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation 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 discussed below.

The present value of the LGPS 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 2016 will be used by the actuary in valuing the pensions liability at 31 August 2019. 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.

Critical areas of judgement
There are no other critical areas of judgement.

Conversion to an academy trust
As a multi-academy trust, new schools join the Trust from time to time.

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

The assets and liabilities transferred on conversion will be 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 for an equivalent item. The amounts will be recognised under the appropriate balance sheet categories, with a corresponding amount recognised in the SOFA and analysed under unrestricted funds, restricted funds, restricted general funds and restricted fixed asset funds.