



**Five Rivers Multi Academy Trust
Accounting Policy**

Policy start date: January 2017

Policy review date: January 2018

Next review due: January 2019

Principal accounting policies

Format of financial statements

The financial statements are prepared under the historic cost convention, except for assets transferred at valuation, and, in accordance with applicable UK accounting standards (UK Generally Accepted Accounting Practice). The standard format for the financial statements as required by part 15 of the Companies Act 2006 has been adapted to provide more appropriate information which complies with the Statement of Recommended Practice 'Accounting and Reporting by Charities' issued in January 2015 ('Charities SORP') and the Academies Account Direction 2015/16 issued by the ESFA. The principal accounting policies are set out below.

Going concern

The Trustees have assessed whether the use of 'going concern' is appropriate, that is, 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 agree that 'going concern' is appropriate for the company and have made this assessment for one year from the date of approval of the financial statements.

Incoming resources

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

Grants receivable

Grants are included in the statement of financial activities on an accruals basis. The balance of income received for specific purposes, but not matched to relevant expenditure during the year, is shown in the relevant funds on the balance sheet. When income is received in advance of entitlement of receipt, its recognition is deferred and included as deferred income within creditors. Where the academy is entitled to the funds before the income is received, the income is accrued and included in debtors.

The 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.

Donated services and gifts in kind

The value of donated services and gifts in kind, provided to the Academy Trust¹, is recognised in the statement of financial activities as incoming resources, and resources expended at their estimated value to the academy in the year in which they are receivable, and where the benefit is both quantifiable and material. Where the gift in kind was a fixed asset, the amount of the expenditure is included in the appropriate fixed asset category and depreciated over the useful economic life, in accordance with the Academy Trust's policies.

¹ Academy Trust includes the constituent academies where appropriate

Fundraising activities and other income

Fundraising activities are recognised in the period in which the activity takes place. Letting income is recognised the day the facility is let. Trip income is matched to the period in which the trips take place.

Resources expended and the basis of apportioning costs

Resources expended are recognised in the year in which they are incurred and include irrecoverable VAT where applicable. Costs have been attributed to particular headings allocated according to the nature of the expenditure. Where costs cannot be directly attributed to particular headings, they have been 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 are allocated based on the spread of staff costs.

Costs of generating funds

These costs are incurred in raising voluntary and trading income.

Charitable activities

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

Governance costs

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

Fund accounting

Unrestricted income funds represent those resources which may be used towards meeting any of the objects of the academy at the discretion of the Trustees.

Restricted funds comprise grants from the ESFA and other donors which are to be used for specific purposes.

Restricted fixed asset funds are resources applied to specific capital purposes as imposed by the ESFA and other funders where the asset acquired or created is held for a specific purpose.

Conversion to an academy

The conversion from a state maintained school to an academy involved the transfer of identifiable assets and liabilities and the operation of the school for £nil consideration and has been accounted for under the acquisition accounting method.

The assets and liabilities transferred on conversion from School to Academy have been valued at their 'fair value' which is a reasonable estimate of the current market value that the Trustees would expect to pay in an open market for an equivalent item, except for land and buildings which are valued at replacement cost. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in

voluntary income as net income in the statement of financial activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.

Tangible fixed assets

Tangible fixed assets acquired since the academy trust was established, are included in the accounts at cost. Assets above a value of £1,000 only for individual items, are recognised in the balance sheet or, less than this if they are part of a specific project.

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 or transferred to a restricted fixed asset fund (in the statement of financial activities and carried forward in the balance sheet). The depreciation on such assets is charged in the statement of financial activities over the expected useful economic life of the related asset, on a basis consistent with the depreciation policy.

Depreciation

Depreciation is provided on a straight line basis on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. The transitional provision of FRS 15 has been followed on donated valued assets. The principal annual rates used:

Leasehold land	Over the lease term of 125 years
Buildings	2% straight line
Leasehold improvements	5% straight line
Furniture and equipment	25% straight line
Computer equipment and software	33% straight line

Leased assets

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor, are charged to the statement of financial activities on a straight line basis over the lease term.

Stock

Stock is valued at the lower of cost and net realisable value.

Taxation

The academy 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 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

Academy staff are members of one of 2 pension schemes, both of which are multi-employer defined benefit schemes.

Defined benefit schemes

Teachers' Pension Scheme

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. 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 are recognised as they are paid each year.

Local Government Pension Scheme

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 been vested. If the benefits have not been 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 amounts of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains or losses.