The Great North Wood Education Trust

Accounting Policies
Year Ending 31 August 2017

1	**Basis of Preparation of financial statements**
1.1	The financial statements of The Great Northwood Education Trust (The Trust), which is a public benefit entity under FRS 102 will be prepared under the historical cost convention in accordance with Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS102), the Accounting and Reporting by Charities Statement of Recommended Practice (SORP) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS102) (charities SORP 102), the Academies Accounts Direction issued by the Education and Skills Funding Agency, the Charities Act 2011 and the Companies Act 2006. The Great North Wood Education Trust meets the definition of a public benefit entity under FRS 102.

2	**Going Concern**
2.1	The Trustees will assess whether the use of the "going concern principle" 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 the assessment in respect of a period of at least one year from the date of the approval of the financial statements.

3	**Recognition of incoming resources**
3.1	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.
3.2	Grants 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.
3.3	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.
3.4	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
3.5	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.
3.6	Other Income Other income, including the hire of facilities, is recognised in the period it is receivable and to the extent the academy trust has provided the goods or services.
3.7	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 charged 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. This income is recognised within 'Income from other trading activities'.
3.8	Transfer on conversion Where assets are received by the trust on conversion to an academy, the transferred assets are measured at fair value and recognised in the balance sheet at the point when the risks and rewards of ownership pass to the trust. An equal amount of income is recognised as Transfer on conversion within Donations and capital grant income.
3.9	Donated fixed assets (excluding Transfers on conversion/into trust) 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 academy trust's accounting policies.

4	**Resources Expended**
4.1	Expenditure is 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 benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified 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 spent, and depreciation charges allocated on the portion of the asset's use.

4.2	Expenditure on Raising Funds This includes all expenditure incurred by the academy trust to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.
4.3	Charitable Activities These are 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.
4.4	Governance costs include the costs attributable to the Trust's compliance with constitutional and statutory requirements, including audit, strategic management and Trusts' meetings and reimbursed expenses.
4.5	All resources expended are inclusive of irrecoverable VAT.

5	**Intangible Fixed Assets**
5.1	Intangible assets costing £2,000 or more are capitalised and recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably. Intangible assets are initially recognised at cost and are subsequently measured at cost net of amortisation and any provision for impairment. Amortisation is provided on intangible fixed assets at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows: Purchased computer software 33%

6	**Tangible Fixed Assets**
6.1	Assets costing £3,000 or more will be capitalised as tangible fixed assets and will be carried at cost, net of depreciation and any provision for impairment.
6.2	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 assets will be charged to the restricted fixed asset fund in the Statement of Financial Activity (SOFA) so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the Trust Trust's depreciation policy.
6.3	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 lives, as follows: • Long leasehold buildings 2% • Land 0% • Fixtures, fittings and equipment 15% • ICT equipment 33% • Motor Vehicles 20%

6.4	Longer life fixtures and fittings 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.
6.5	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.
6.6	Leased Assets Rentals under operating leases will be charged on a straight line basis over the lease term.

7	**Liabilities**
7.1	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 academy 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.

8	**Provisions**
8.1	Provisions are 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.
8.2	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 interest payable and similar charges.

9	**Investments**
9.1	The Trust does not hold any investments at the current time. The accounting policy will be determined when the need arises.

10.	**Financial Instruments**
10.1	The Trust only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of the academy trust and their measurement basis are as follows:
10.1	**Financial assets** – trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 15. Prepayments are not financial instruments.
10.2	**Cash at bank** – is classified as a basic financial instrument and is measured at face value
10.3	**Financial liabilities** – trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in notes 16 and 17. 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 another financial instrument.

11	**Stock**
11.1	catering stocks are valued at the lower of cost or net realisable value

12	**Taxation**
8.1	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.

13	**Pension Benefits**
13.1	Retirement benefits to employees of the Trust 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.
13.2	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 quadrennial valuations using a prospective unit credit method. As stated in note 29, 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.
13.3	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 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 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

14	**Fund Accounting**
14.1 14.2 14.3	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 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 and include grants from the Education and Skills Funding Agency.

15	**Critical accounting estimates and areas of judgement**
15.1 15.2	Estimates and judgements 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 will be detailed within the audited financial statements:

16	**Trustee Expenses**
16.1	Trustee expenses stated in the financial statements represent refunds by the Trust of legitimate payments made by Trustees personally in order to carry out their duties as Trustee.

Policy Created	June 2017
Approved by Trust Board	17 July 2017
Signature of Chair of Trustees	Signature of CEO
Next Review	July 2018

Appendix 1

Charity Commission guidance on Trustee expenses

Expenses are refunds by a charity of legitimate payments which a Trustee has had to meet personally in order to carry out his or her Trustee duties. Expense claims should normally be supported by bills or receipts, except where it is impractical to expect this, for example, where very small amounts are claimed.

Detail

Any reasonable costs that allow Trustees to carry out their duties can be classed as legitimate expenses. So long as the charity only pays the Trustee for the actual cost or expense, the payment is not taxable. The following are examples of expenses:

- the reasonable cost of travelling to and from Trustee meetings, and on Trustee business and events; this can include the cost of using public transport, taxi fares, and petrol allowances to the level permitted by HM Revenue & Customs (HMRC) before tax becomes payable
- reasonable refunds for the cost of meals taken while on charity business
- the reasonable cost of childcare, or care of other dependants (for example, an elderly parent) whilst attending Trustee meetings
- the cost of postage and telephone calls on charity business
- the costs of a Trustee's telephone rental and broadband subscription, so long as these are split to reflect the percentage of time relating to usage on behalf of the charity
- communication support: translating documents into Braille for a blind Trustee, or into different languages; provision of alerting and listening devices, and other special aids for people with hearing impairment
- the costs of buying training materials and publications relevant to Trusteeship
- providing special transport, equipment or facilities for a Trustee with a disability
- cost of reasonable overnight accommodation and subsistence (including any essential care costs) while attending Trustee meetings or other essential events such as voluntary sector conferences or specialist training courses

It is also worth noting that reimbursement of Trustees for purchases they have personally and properly made on behalf of the charity are not counted as expenses and are accounted for as part of the charity's general expenditure.