



**ACCOUNTING POLICY**

<b>Presented to OLOG Audit &amp; Risk Committee</b>	<b>07/10/20</b>
<b>Presented and Approved by OLOG Board of Trustees</b>	<b>07/10/20</b>
<b>Signature of Chair of Board of Trustees:</b>	
<b>Name of Chair of Board</b>	<b>Mick Coleman</b>
<b>Date</b>	<b>07/10/20</b>
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# Accounting Policy

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## 1. Statement of accounting policies

A summary of the principal accounting policies adopted (which have been applied consistently, except where noted), judgements and key sources of estimation uncertainty, is set out below.

### 1.1 Basis of Preparation

The financial statements of the Trust, which is a public benefit entity under FRS102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS102), 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 2019 to 2020 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

Our Lady of Grace Catholic Academy Trust meets the definition of a public benefit entity under FRS 102.

The accounts are presented in Sterling and rounded to the nearest £1,000.

### 1.2 Going Concern

The Trustees 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 Company to continue as a going concern. The Trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the Trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the Trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

### 1.3 Income

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

#### *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.

General Annual Grant (GAG) 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. As per the Trust's funding agreement with the ESFA, there are no limits on the amounts of GAG that the Trust is permitted to carry forward from one year to the next.

Capital grants are recognised in full when there is unconditional entitlement 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.

#### *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.

#### *Other Income*

Other income, including the hire of facilities, is recognised in the period it is receivable and to the extent the Trust has provided the goods or services.

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## ***Donated goods, facilities and services***

Donated facilities and services provided to the Trust are recognised at their value to the Trust in the period when it is probable that the economic benefits associated with the donated items will flow to the Trust, provided they can be measured reliably. An equivalent amount is included as expenditure under the relevant heading in the Statement of Financial Activities.

Donated goods are recognised at fair value unless it is impractical to measure this reliably in which case a derived value, being the cost of the item to the donor is used. An equivalent amount is included as expenditure under the relevant heading in the Statement of Financial Activities except where the donated good is a fixed asset in which case 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 Trust's accounting policies.

The freehold land donated to the Trust on conversion by the London Borough of Newham for a £nil consideration has been recognised as Donation – transfer from local authority on conversion with a corresponding amount showing in fixed assets as freehold land. The value of the land has been derived from the valuation undertaken by an independent professional property surveyor.

## ***Transfer on conversion***

Where assets and liabilities 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 academy trust. An equal amount of income is recognised as transfer on conversion within donations and capital grant income to the net assets received.

## **1.4 Expenditure**

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.

All resources expended are inclusive of irrecoverable VAT.

## ***Expenditure on Raising Funds***

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

## ***Charitable Activities***

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

## **1.5 Intangible Fixed Assets**

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                      5 years (20% p.a.)

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## 1.6 Tangible Fixed Assets

Assets costing £2,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment. This includes individual asset items over the capitalisation threshold as well as closely related group of IT assets (e.g. a trolley of laptops).

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. Where there are specific conditions attached to the funding requiring the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the Statement of Financial Activities. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

The Trust occupies land and buildings provided to it by the Diocesan Trustees under a license (also referred to as a Church Supplementary Agreement) which contains a two year notice period. Having considered the fact that the Trust occupies the land and buildings by a license that transfers to the Trust no right or control over the site save that of occupying it at the will of the Diocesan Trustees under the agreement, the Trustees have concluded that the value of the land and buildings occupied by the trust will not be recognised or valued within fixed assets.

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 land                    | Nil   |
| • School buildings                 | 50 years (2% p.a.)                                |
| • Long leasehold buildings         | over lease term or 50 years, whichever is shorter |
| • Fixtures, fittings and equipment | 5 years (20% p.a.)                                |
| • Computer hardware                | 3 years (33.3% p.a.)                              |
| • Motor vehicles                   | 5 years (20% p.a.)                                |

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use. Capital improvements to Diocesan owned property is recognised as expenditure.

A review for impairment of a fixed asset is 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 incorporating the Income and Expenditure Accounts.

## 1.7 Liabilities

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 (including termination benefits) are 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 of services it must provide.

## 1.8 Provisions

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.

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.

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## 1.9 Leased Assets

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

## 1.10 Financial Instruments

The Trust holds basic financial instruments as defined in FRS102. The financial assets and financial liabilities of the trust and their measurement bases are as follows:

- Financial assets – trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost. Prepayments are not financial instruments.
- Cash at bank – is classified as a basic financial instrument and is measured at face value.
- 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 no obligation to deliver services rather than cash or another financial instrument.

## 1.11 Stock

Stationery (general capitation) bought in advance of the academic year and unsold uniform are recognised as stocks and are valued at the lower of cost and net realisable value.

## 1.12 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 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.

## 1.13 Pensions Benefits

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.

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 an unfunded multi-employer scheme with no underlying assets to assign between employers. Consequently, the TPS is 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 multi-employer 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 net income/(expenditure) 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.

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## 1.14 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 with restrictions imposed by the funder/donor and primarily include grants from the Education and Skills Funding Agency and London Borough of Newham.

## 1.15 Critical accounting estimates and areas of judgement

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 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 has been used by the Actuary in valuing the pensions liability at 31 August 2020. 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*

Currently there are no critical judgements to disclose, other than those mentioned above and in note 13 regarding exclusion of land and buildings from the Trust's Balance Sheet.

## Links to other policies/documents

Financial Regulations

Investment Policy

Reserves Policy

Not for Profit Policy