The Chalfonts Community College

Accounting Policy

2024-2025

Approved by:	FGB	**Date:** 10 December 2024
Last reviewed on:	December 2024	
Next review due by:	December 2025	

Contents

1. Aims

As per paragraph 2.125 of the Education and Skills Funding Agency's Academies Accounts Direction 2023 to 2024, these accounting policies aim to set out the principles, bases, conventions and rules by which transactions and items are recognised, measured and presented in the academy trust's accounts.

2. Legislation and statutory requirements

The Education and Skills Funding Agency (ESFA) requires academy trusts to prepare their financial statements according to UK Generally Accepted Accounting Practice (UK GAAP) and this assumption must be disclosed in the notes to the annual accounts under the heading of 'accounting policies'.

The accounting policies have also been written in line with the requirements of:

- The Academy Trust Handbook
- The Academies Accounts Direction
- The Academies model accounts

The Academies Accounts Direction 2023 to 2024 is based on the Charities Statement of Recommended Practice (SORP) 2019 and Financial Reporting Standard (FRS) 102.

A summary of the principal accounting policies, which are applied consistently, except where noted, is set out below.

3. Roles and responsibilities

Academy governors

The board of governors is required to approve the trust's accounting policies, which are incorporated within the annual report and accounts.

As per the Academies Accounts Direction 2023 to 2024, the trustees also review these policies regularly, and only implement new policies where:

- This is required by Financial Reporting Standard (FRS) 102; or
- This is judged to provide more reliable, appropriate and relevant information about the effect of transactions, other events or conditions that affect the financial position, performance or cash flows of the academy trust

4. Basis of preparation

The financial statements are prepared under the accruals convention using historical cost as the basis for asset evaluation.

In accordance with requirements, the financial statements reflect that the trust is a public benefit entity and contain a balance sheet, a statement of financial activities and explanatory notes. The accounts are prepared and audited in line with:

- Financial Reporting Standard (FRS) 102
- The current regulations and requirements of the ESFA, including the Academies Accounts Direction
- The Charities Statement of Recommended Practice (SORP) 2019
- Applicable charity and company law

The governors are required to ensure that the trust's accounts are prepared in compliance with the Companies Act 2006. A departure from any of these basic accounting principles will require disclosure notes in the accounts together with the reasons for the departure.

The accounting officer is responsible for ensuring that all reasonable controls are in place.

Overall, the accounts must always give a true and fair view. This will be determined by the appointed auditors.

5. Accruals concept

All income and expenditure for the period to which the accounts relate are included in those accounts.

At year end, a de-minimis value is applied for both sundry creditors and sundry debtors.

Where an individual invoice or receipt is less than the value as set by the auditors that would be considered to be material then no provision is made. This is to minimise the number of sundry transactions.

In preparation for year-end, an exercise is completed to ensure all invoices and debts are settled to minimise the necessity for provisions.

6. 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 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 of services it must provide.

7. Provisions

Provisions are shown in the balance sheet for obligations, such as pension contributions, tax liabilities or other payments to similar funds or bodies where the payment has been deferred.

8. Financial instruments

The Academy 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.

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 cost. 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.

9. Historical cost convention

The revenue, costs, and any assets bought by the trust are recognised in the accounts at the original cost regardless of present value.

10. Going concern

For the purposes of these accounting policies, references to the trust as a going concern relate specifically to the financial position of the trust, and not organisational or structural changes that may affect the continuation of the trust in its present state (e.g. re-brokerage).

The accounts are prepared on the assumption that the trust has adequate resources to allow it to continue to function in the future and is therefore a going concern.

The Governors assess whether the use of going concern is appropriate, ie whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the charitable company to continue as a going concern. The Governors 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 Academy Trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the Academy 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.

11. Consistency

The Governors have agreed on suitable accounting policies for depreciation of business assets, foreign exchange translation and accounting for stock valuation. These are applied consistently across the trust and over comparative financial years.

12. Prudence

The accounts are prepared prudently. This means that only realised transactions are included in the income and expenditure statements. For example, income is included only where it is either received or its receipt is certain and applicable within the period.

Debts are considered and only written off in accordance with ESFA regulations.

13. Netting off

Items are not netted off in the accounts. The accounting system identifies all transactions and the financial procedures require that income and expenditure are fully recorded and not subject to netting off.

14. Accounting treatment of income

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

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 is recognised in full in the Statement of Financial Activities in the period for which it is receivable, and any abatement in respect of the period is deducted from income and recognised as a liability.

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.

Sponsorship income

Sponsorship income provided to the Academy Trust which amounts to a donation is recognised in the Statement of Financial Activities 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 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 Academy Trust has provided the goods or services.

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'.

Donated fixed assets

Donated fixed assets are measured at fair value unless it is impractical to measure this reliably, in which case the cost of the item to the donor is 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.

15. Accounting treatment of resources expended

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

16. Accounting for fixed assets

Assets costing £5,000 or more per item (or less if they form part of a larger purchase or project where the total cost exceeds £25,000) are 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 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 that require 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. Where tangible fixed assets have been acquired / funded by other income, the fixed asset fund is also credited. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the Statement of Financial Activities.

New freehold/leasehold buildings whose construction was overseen by the Department for Education (DfE) or a local authority (LA) and transferred to the academy trust on completion

During the construction phase:

- The DfE project team manages the site
- Construction costs are funded by the DfE
- There should be no recognition in the academy trust's financial statements

If the academy trust is partly funding construction of the site (e.g. additional assets outside of the DfE's minimum design specification) then these costs should be shown as assets under construction in the financial statements.

17. Depreciation

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 and buildings	2%
Computer equipment	33%
Fixtures, fittings & equipment	20%
Motor vehicles	20%

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.

Depreciation on assets still in construction is not charged until they are brought into use.

New freehold/leasehold buildings whose construction was overseen by the Department for Education (DfE) or a local authority and transferred to the academy trust on completion

When control of the site is handed over to the academy trust, it will recognise an opening value in its financial statements.

The accounting entry will recognise:

- Freehold and leasehold buildings
- The value within 'donations and capital grants' in the Statement of Financial Activities

The assets will start to depreciate from this point in accordance with FRS 102 (section 17) and the SORP (modules 6 and 10).

18. Leased assets

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

19. Investments

The accounting policy for investments is determined when the need arises. Should an investment become possible, then the trust determines the minimum risk options available to protect public monies.

The trust does not hold any investments at the current time.

This policy must be read togther with the College's Investment Policy

20. Reserves policy

The trustees review the level of reserves annually. The level of reserves is documented in the Colleges' Reserve Policy and ratified and Goveror level on an annual basis

21. Stock

Stock is valued at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less further costs to completion and disposal. Provision is made for obsolete and slow moving stock.

22. 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 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.

23. Pension 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 and the assets and the liabilities are held separately from those of the Academy Trust.

The TPS is an unfunded scheme and contributions are calculated 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 based on 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 are 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 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 net income or 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.

24. 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 Governors.

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 include grants from the Department for Education Group.

25. Critical areas of judgement

Accounting 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 Academy 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 Local Government Pension Scheme 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 or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 19, will impact on 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 2019 has been used by the actuary in valuing the pensions liability at 31 August 2023. 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

In preparing these Financial Statements, the Governors have not needed to exercise any subjective judgements that would be critical to the Academy Trust's Financial Statements.

26. Monitoring arrangements

The board of trustees is responsible for the implementation of these policies.

These policies are reviewed by the board of trustees every year.

27. Links with other policies

These accounting policies are linked to the:

- Charging and remissions policy
- Reserves policy
- Competitive tendering policy
- Investment policy
- Gifts and hospitality policy

History

Date	Issue	Status	Comments
December	1	New	
