



Humber Education Trust

Accounting Policies

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Contents

Policy Statement	Page 3
Policy Scope	Page 3
Accounting Policies	Page 3
Basis of Preparation	Page 3
Going Concern	Page 4
Income	Page 4
Expenditure	Page 6
Intangible Fixed Assets	Page 7
Tangible Fixed Assets	Page 7
Impairment	Page 8
Liabilities	Page 8
Provisions	Page 8
Leased Assets	Page 8
Financial Instruments	Page 9
Stock	Page 9
Taxation	Page 9
Pension Benefits	Page 10
Funding Accounting	Page 11
Critical Accounting Estimates and Areas of Judgement	Page 11
Policy Review	Page 11

Policy Statement

Accounting policies are defined by Financial Reporting Standard (FRS) 18 as 'those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements'.

The accounting policy that is adopted for a particular type of transaction involves making a selection of three factors:

- Whether or not to recognise elements (assets, liabilities, gains or losses) as a result of the transaction - recognition criteria.
- How to attribute a monetary amount to the elements that are recognised - measurement bases.
- Where to present the elements in the financial statements.

The development of a comprehensive set of accounting policies, its approval by the Board of Trustees and subsequent review by statutory auditors is a mandatory requirement of the Education Skills Funding Agency (ESFA) and the Department of Education as explicitly referenced with the Academies Financial Handbook (AFH).

Policy Scope

This policy applies to HET, its constituent academies, all individuals whether employed, volunteer or those with significant control of HET; a breach of the investment policy and/or any related policy may result in disciplinary action.

Accounting Policies

Basis of Preparation

The financial statements of HET, which is a public benefit entity under FRS 102, will be prepared under the historical 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 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 2017 to 2018 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

HET meets the definition of a public benefit entity under FRS 102.

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 will conclude if HET has adequate resources to continue in operational existence for the foreseeable future and if there are no material uncertainties about HET's ability to continue as a going concern, thus they will continue to adopt the going concern basis of accounting in preparing the financial statements.

Income

All incoming resources are recognised when HET 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.

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 HET 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 HET 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'.

- *Transfer on conversion*

Where assets are received by HET 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 HET. An equal amount of income is recognised as Transfer on conversion within donations and capital grant income.

- *Transfer of existing academies into HET*

Where assets are received on the transfer of an existing academy into HET, 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 HET, which is on signing of the transfer agreement with the transferring trust. An equal amount of income is recognised for the Transfer of an existing academy into HET within donations and capital grant income.

- *Donated fixed assets (excluding transfers on conversion/into HET)*

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 HET's accounting policies.

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.

- *Expenditure on Raising Funds*

This includes all expenditure incurred by HET and its constituent academies 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 by HET and its constituent academies on educational operations, including support costs and costs relating to the governance of HET apportioned to charitable activities.

All resources expended are inclusive of irrecoverable VAT.

Intangible Fixed Assets

Intangible assets costing £1,000 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 25%

Tangible Fixed Assets

Assets costing £500 or more 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 sponsorship, 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.

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 buildings 2%
- Long leasehold buildings >125 years or period of lease
- Long leasehold land >125 years or period of lease
- Fixed Fixtures, fittings and equipment 10%
- Lose Fixtures, fittings and equipment 20%
- IT/Communications hardware 25%
- Motor vehicles 25%

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

Impairment

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.

Liabilities

Liabilities are recognised when there is an obligation at the balance sheet date because 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 HET 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 are recognised when HET has an obligation at the reporting date because 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.

Leased Assets

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

Financial Instruments

HET only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of HET 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. Amounts due to the charity's wholly owned subsidiary are held at face value less any impairment.

- *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.

Stock

Unsold uniforms and catering stocks are valued at the lower of cost or net realisable value.

Taxation

HET 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, HET 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.

Pension Benefits

Retirement benefits to employees of HET 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 to spread the cost of pensions over employees' working lives with HET 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 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 HET 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.

Fund Accounting

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of HET 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 include grants from the ESFA and Department for Education.

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.

HET 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 (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 is used by the actuary in valuing the pensions liability as at the year end. 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.

Policy Review

The Board of Trustees has agreed that the accounting policies will be reviewed on an annual basis unless Government guidance, changes in legislation or a change in the operating circumstances of HET forces an earlier revision.

Any review will take into consideration all aspects of applicable legislation and advice current at the time of the review. The next 'Period of Review' will be September 2018

Sign Off

Approved By (print name):	
Role Title:	
Signature:	
Date:	

**Where everybody counts,
every moment matters.**

