The LETTA Trust

Accounting Policies

Approved & adopted on:	Autumn 2024	**To be reviewed:**	Autumn 2025
Reviewed by:	TB Resources	**Signed:**	

1. Introduction

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements. An entity shall select and apply its accounting policies consistently for similar transactions.

The Letta Trust is a Company limited by guarantee. The members are noted on page 1. In the event of the academy trust being wound up, the liability in respect to the guarantee is limited to £10 per member.

2. Accounting policies

Basis of preparation

The financial statements of the academy trust, which is a public benefit entity under FRS 102, are prepared under the historical cost convention in accordance with applicable United Kingdom Accounting Standards (FRS 102), the Charity Commission 'Statement of Recommended Practice: Accounting and Reporting by Charities' ('SORP 2019'), the Academies Accounts Direction 2023-24 issued by the ESFA, the Charities Act 2011 and the Companies Act 2006. A summary of the principal accounting policies, which have been applied consistently, except where noted, are set out below.

The functional and presentational currency used in the financial statements is pound sterling.

Going concern

The trustees 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 make this assessment in respect of a period of at least one year from the date of the approval of the financial statements. The trustees have considered whether the academy trust has adequate resources to continue in operational existence for the foreseeable future and whether there are any material uncertainties about the academy trust's ability to continue as a going concern, and whether to continue to adopt the going concern basis of accounting in preparing the financial statements. In assessing the going concern status of the trust, the trustees have reviewed the reserves available, the liquidity position, estimates of incoming resources and outgoings as well as any planned capital expenditure. Budgets are prepared on this basis which are reviewed in detail by the board of trustees to assess the going concern status of the trust.

Based on the above, the trustees have concluded that the academy trust has adequate resources to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Recognition of incoming resources

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 Receivable** are included in the Statement of Financial Activities (SOFA) on a receivable basis. The balance of income received for specific purposes but not expended during the period are 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 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

- **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

- **Sponsorship income** provided to the trust which amounts to a donation is recognised in the SOFA in the period in which it is receivable (where there are no performance-related conditions) where it is probable that the income will be received and the amount can be measured reliably

- **Other income**, including fees for hire of facilities, is recognised in the period it is receivable and to the extent the 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'.

Resources expended
Expenditure is recognised in the period in which a liability is incurred and is classified under the headings that aggregate all costs related to that category. Where costs cannot be directly attributed to particular headings they are allocated on a basis consistent with the use of the resources.

Expenditure
Expenditure is recognised once there is a legal or constructive obligation committing the academy trust to that expenditure, 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 accounted for on an accruals basis and has been classified under headings that aggregate all cost related to the category. Expenditure is classified by activity. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources

Charitable activities
Costs of charitable activities are 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.

Resources are recorded net of VAT, with the exception of business costs where VAT is irrecoverable. They are classified under headings that aggregate all costs relating to that activity.

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.

Accounting for 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.

Where tangible fixed assets are 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 SOFA and carried forward in the Balance Sheet. Depreciation on such assets are charged to the restricted fixed asset fund in the SOFA so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the trust's depreciation policy. Where tangible assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund Valuation of the trust's premises is at the Trustees' estimate of fair value, based on a valuation by its local authority.

The trust's premises that were transferred by the local authority at the time of conversion, were included in the financial statements at an amount based on a valuation provided by the local authority. Following transition to FRS 102 in 2018, this amount has been included in the financial statements as the deemed cost. Any subsequent additions are included at cost.

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.

Depreciation

Depreciation is provided on all tangible fixed assets other than freehold land, at the following annual rates calculated to write off the cost of each asset on a straight-line basis over its expected useful lives, as follows:

- Freehold buildings 2%
- Leasehold premises – buildings 2% of cost
- Leasehold premises – land – over the term of the lease
- Fixtures, fittings and equipment 10% - 25% of cost
- ICT equipment 25% of cost

Leased assets

Property, plant and equipment acquired under finance leases are capitalised and depreciated in the same manner as other tangible fixed assets. The related obligations, net of future finance charges, are included in creditors. Rentals under operating leases are charged to the Statement of Financial Activities on a straight-line basis over the lease term.

Stock

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

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.

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 advance payments for the goods or services it must provide.

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 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 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, and the assets are held separately from those of the trust.

The TPS

This 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 benefit method. The TPS is a multi-employer scheme and the 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 recognised as they are paid each year.

The LGPS

This 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 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 as incurred. Past service costs are recognised immediately in the SOFA if the benefits have vested. If the benefits have not 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 amount of other finance costs or credits adjacent to interest. 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 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 ESFA or other 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.

Critical accounting estimates and areas of judgement
Estimates and judgments are continually evaluated and be based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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 in valuing the pensions liability 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. **Central services**
All central services are paid from the Trust bank account/budget before each school's allocation is shared out.

3. Conclusion

Accounting Policies are monitored annually. Where a material change in policy occurs - a prior period adjustment is required. The policies listed above are not intended to be exhaustive and may need to be varied as circumstances dictate.

This policy was prepared by the Trustees and will be reviewed annually.