



Accounting Policy

PURPOSE

This document sets out the network wide accounting policies used in the creation of the year end statutory accounts.

Date of last review:	September 2014	Author:	Head of Financial Reporting
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Type of policy:	<input checked="" type="checkbox"/> Network-wide <input type="checkbox"/> Set for school <input type="checkbox"/> Tailored by school	Approval:	Board
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POSITIONING WITHIN ARK OPERATIONAL MODEL

Component	Element
<input type="checkbox"/> Strategic Leadership & Planning <input type="checkbox"/> Monitoring, Reporting & Data <input type="checkbox"/> Governance & Accountabilities <input type="checkbox"/> Teaching & Learning <input type="checkbox"/> Curriculum & Assessment <input type="checkbox"/> Culture, Ethos & Wellbeing <input type="checkbox"/> Pathways & Enrichment <input type="checkbox"/> Parents & Community <input checked="" type="checkbox"/> Finance, IT & Estates <input type="checkbox"/> Our People	Audit & statutory accounting

1. Summary

This document sets out the network wide accounting policies used in the creation of the year end statutory accounts.

2. Rationale

As all academies finances are consolidated into one overall set of Ark Schools accounts, it is imperative that all academies use the same set of accounting policies.

All accounting policies are reviewed each year to ensure that they remain appropriate in the light of changes to accounting standards, the DfE Accounts Direction for academies, and the circumstances of Ark Schools.

3. The Accounting Policies Note

Set out in the remainder of the document is the wording of the accounting policies note which forms the first note in the year end accounts.

4. Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards, the Charity Commission 'Statement of Recommended Practice', Accounting and Reporting by Charities ('SORP 2005') the Academies Accounts Direction issued by the YPLA and the Companies Act 2006. A summary of the principle accounting policies is set out below.

5. Basis of consolidation

The consolidated statement of financial activities and group balance sheet consolidate the financial statements of the company and those of its subsidiary made up at the balance sheet date.

No separate statement of financial activities has been presented for Ark Schools alone, as permitted by section 408 of the Companies Act 2006 and paragraph 397 of SORP 2005.

6. Going Concern

The directors 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 directors make this assessment in respect of a period of one year from the date of approval of the financial statements.

7. Incoming resources

7.1. Grants receivable

Grants are included in the statement of financial activities on an accruals basis. The balance of income received for specific purposes but not matched to relevant expenditure during the year is shown in the restricted income fund on the balance sheet. For grants provided to fund fixed assets, this includes the net book value of assets acquired.

7.2. Sponsorship

Sponsorship provided to the company is recognised in the statement of financial activities in the period when receivable. Sponsorship that relates to future years is carried forward in deferred income.

7.3. Interest receivable

Interest receivable is included within the statement of financial activities on an accruals basis.

8. Resources expended

Resources expended are recognised in the period in which they are incurred. They have been classified under headings that aggregate all costs relating to that activity.

Prior to 31 March 2011, expenditure included irrecoverable VAT on non-business activities and the company received a VAT grant as part of its GAG funding. Since 1 April 2011, the company has been able to reclaim VAT on its non-business activities but is no longer entitled to a VAT grant. All expenditure is stated net of recoverable VAT from this date.

9. Allocation of costs

In accordance with the Charities' SORP, expenditure has been analysed between the group's charitable activities and governance.

10. Governance costs

Governance costs include the costs attributable to the group's compliance with constitutional and statutory requirements, including audit, strategic management and directors' meetings and reimbursed expenses.

11. Tangible fixed assets

All assets costing more than £2,000 and with an expected useful life exceeding one year are capitalised.

Depreciation is charged on a straight line basis beginning in the year in which the asset is brought into use at the following annual rates:

- Furniture and fittings 25% p.a.
- Computer equipment 50% p.a.
- Motor vehicles 25% p.a.
- Buildings 2% p.a.

Where fixed assets have been acquired with the aid of specific grants, they are included in the balance sheet at cost and are depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund (in the statement of financial activities and carried forward in the balance sheet). The depreciation on such assets is charged in the statement of financial activities over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

The cost of buildings constructed under the UK Government's National Framework programme as funded through local authorities, are recognised in the statement of financial activities as voluntary income in the period in which the buildings are brought into use. No value is brought into the financial statements before this time.

12. Investments

The company's shareholding in its wholly owned subsidiary is included in the company's balance sheet at the cost of the share capital owned. There is no readily available market value and the cost of valuation exceeds the benefit derived.

13. Fund accounting

The unrestricted general fund represents monies which may be applied for any purpose within the company's objects.

14. Accounting Policies

Restricted funds are grants from the DfE and other donors which are to be used for specific purposes.

15. Leased assets

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the statement of financial activities on a straight line basis over the lease term.

16. Taxation

Ark Schools 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, Ark Schools 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.

17. Pensions

Some school based staff are members of one of two multi-employer defined benefit pension schemes. More details of the schemes are given in note 18.

18. Defined Benefit Schemes

18.1 Teachers' Pension Scheme

Full-time and part-time teaching staff employed under a contract of service are eligible to contribute to the Teachers' Pension Scheme (TPS). The TPS, a statutory, contributory, final salary scheme is administered by Capita Teachers' Pensions on behalf of the Department for Education. As the company is unable to identify its share of the underlying (notional) assets and liabilities of the scheme, the company has taken advantage of the exemption in Financial Reporting Standard (FRS) 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The pension costs for the scheme represent the contributions payable by the company in the year.

18.2. Local Government Pension Scheme

Non teaching members of staff at individual Ark academies are offered membership of the Local Government Pension Scheme (LGPS), which is managed by the relevant local authority. The LGPS is a defined benefit pension scheme and is able to identify the company's share of assets and liabilities and requirements of the FRS 17, Retirement Benefits, have been followed.

The company's share of the LGPS assets are measured at fair value at each balance sheet date. Liabilities are measured on an actuarial basis using the projected unit method. The net of these two figures is recognised as an asset or liability on the balance sheet. Any movement in the asset or liability between balance sheet dates is reflected in the statement of financial activities.

19. Defined Contribution Schemes

19.a. Pensions Trust

Full-time and part-time staff employed at Ark Schools' Head Office are not eligible for the Teachers' Pension Scheme or Local Government Pension Scheme. They are eligible instead to join a defined contribution scheme. This is currently run by the Pensions Trust on behalf of Ark Schools.