



## RESERVES POLICY

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<b>Responsible Officer</b>	<b>CFO</b>

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### **1. Introduction**

The Academies Financial Handbook requires MATs to have a reserves policy which needs to be detailed within its Annual Report. Regardless of the regulatory requirement, establishing reserves that protect the operation of the Trust and contribute to its smooth running is good practice and forms part of its overall financial control and governance framework.

### **2. Aims**

The Board and Local Governing Bodies aims to consider the level of reserves a school should hold. Levels of reserves which are too high tie up money which should be spent on current school activities. Levels of reserves which are too low may put the future activities of the school at risk.

A reserves policy should:

- Assist in strategic planning by considering how new projects or activities will be funded;
- Inform the budget process by considering whether reserves need to be used during the financial year or built up for future projects;
- Inform the budget and risk management process by identifying any uncertainty in future income streams.

### **3. Who is responsible for this policy?**

The Trust has overall responsibility for the effective operation of this policy. The Trust has delegated day-to-day responsibility for operating the policy to Trust Central Team, Local Governing Body and Principal of each Trust school.

The Local Governing Body and Senior Leadership Team at each Trust school has a specific responsibility to ensure the fair application of this policy and all members of staff are responsible for supporting colleagues and ensuring its success.

### **4. Reserves Policy**

All schools within the Trust are expected to generate at least a 2% in year surplus until the school achieves an accumulated reserves position of 15% at which point it must at least achieve a balanced budget.

The percentage is calculated with reference to the total income expected to be received from the ESFA plus Top Up funding to be received from the Local Authority and commissioning schools in respect of Special and Alternative Provision schools.

The Trust needs to hold reserves for a number of reasons, examples are listed below:

- A contingency fund to deal with minor adjustments to operational expenditure from some budget headings;
- A planned accumulation of funds to pay for some major construction work or project;
- Expenditure held over to the following year to withstand variations in the level of funding to the Trust to balance out variations in funding levels;
- Potential redundancy payments to staff; and

- Anticipated increases in cost of living and pension contributions.

All revenue reserves are controlled by the Trust Board including those transferred in upon conversion and cannot be spent without the approval of the Board and according to the scheme of delegation.

In accordance with ESFA and charity accounting standards, the Trust will maintain financial records which identify revenue reserves by school.

The Trust will build and maintain a capital reserves fund in line with the reserves approved by the Board from time to time.

Reserve funds will be held on deposit in an interest-bearing account in a UK regulated bank.

If a school wishes to utilise accumulated reserves for a particular purpose, the School Business Manager must submit a 'Request to Use School Reserves Form' to the Trust Financial Officer.

#### **5. Monitoring, evaluation and review**

The Trust will regularly review this policy and assess its implementation and effectiveness. They will determine the review period.

The policy will be promoted and implemented throughout the school.