

2023-24 RESERVES POLICY, PROCEDURE & GUIDANCE

Version	1.3
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Approved by Board of Directors	9 March 23



1.0 POLICY STATEMENT

The Board of Directors (trust board) of SHARE Multi Academy Trust recognise that the Reserves Policy must address the management of financial risk across the Trust, whilst being mindful that existing pupils are not disadvantaged through the retention of excessive reserves.

The board is responsible for the policy and approval of expenditure of reserves in line with the Financial Authorities in the Scheme of Delegation. The Chief Executive Officer is responsible for the implementation of the policy in conjunction with the Director of Finance and the Principals/Heads of Academies.

2.0 POLICY AIMS

The policy aims are as follows:

- 2.1 To ensure a consistent reserves policy across the trust;
- 2.2 To identify a target level of reserves required for each academy and the central fund;
- 2.3 To explain the reason for holding reserve balances;
- 2.4 To ensure internal control arrangements within the trust are operating effectively and ensure proper stewardship over public funds;
- 2.5 To ensure that the board receives oversight of the reserves position of the trust and challenge this position as required;
- 2.6 To ensure that the trust adopts a structure of prudent financial management and maintains sufficient reserves to meet the future needs of the trust and its academies;
- 2.7 To inform the budget and risk management processes by considering whether reserves need to be used during the financial year to address an in-year deficit budget; and
- 2.8 To assist strategic planning by considering how new projects or activities will be funded.

3.0 SCOPE OF THE POLICY

This policy has been formulated in accordance with the ESFA Academies Handbook (**2022**). As documented in the handbook:

Part 2: Main Financial Requirements

*2.10 The board of trustees **must** approve a balanced budget, and any significant changes to it, for the financial year to 31 August, which can draw on unspent funds brought forward from previous years. The board **must** minute its approval.*

*2.17 The board of trustees **must** notify ESFA within 14 calendar days of its meeting if proposing to set a deficit revenue budget for the current financial year, which cannot address after taking into account unspent funds from previous years, as this would be non-compliant with the funding agreement and this handbook.*

Part 5: Delegated Authorities

5.29 ESFA previously set limits on GAG carried forward by trusts from year-to-year. These limits have now been removed for eligible trusts. ESFA will report to DfE any trusts where it has serious concerns about a long-term substantial surplus with no clear plans for its use.

*5.30 A trust with multiple academies can amalgamate GAG for its academies to form one central fund. This can be used to meet the running costs at any constituent academy within the trust. In accordance with its funding agreement a trust **must not** pool PFI funding.*



3.0 SCOPE OF THE POLICY / continued

5.31 The trust must consider the funding needs and allocations of each constituent academy and **must** have an appeals mechanism. If a constituent academy's principal feels that the academy has been unfairly treated, they should appeal to the trust. If the grievance is not resolved, they can then appeal to the Secretary of State, via ESFA. Where ESFA receives an appeal, it will review the process that the trust has followed, including whether the trust's internal appeals process has been applied. ESFA will provide the constituent academy and the trust with the opportunity to provide any evidence they feel is relevant to the case. ESFA's decision will be final and can result in the pooling provisions being dis-applied.

4.0 TARGET LEVEL OF RESERVES

- 4.1 It is anticipated that all trust academies, will hold a prudent level of reserves to meet short term financial commitments.
- 4.2 The trust aims to ensure that there is a minimum 8% revenue reserves at any given point in time, which equates to approximately the cost of one months' revenue expenditure for the trust – staff salaries being the key monthly outgoing which the trust, under no circumstances, would be willing to default on. However, each academy will be reviewed on an individual basis with reference to their funding needs and requirements.
- 4.3 In addition, central services should maintain a minimum of 50k within reserves at all times (reviewed annually based on risk).
- 4.4 Academies to work towards maintaining reserves levels throughout the medium term (3 year) plan.
- 4.5 A comparative between the current and target reserves balance should be reviewed by the Trust, annually.
- 4.6 The target level of reserves should ensure that sufficient funds are held to enable the trust to manage financial risks in the short to medium term. General reserves (the forecast cost of each individual risk is difficult to measure) are held to cushion additional cost or losses in income in the short term. This buys some time to implement changes that mitigate the risk. Current areas of risk identified are:
 - Short term fluctuations in income e.g. reduced pupil numbers;
 - Funding of unforeseen expenditure e.g. urgent maintenance work;
 - Funding of material capital projects e.g. building improvement works;
 - Delivering a robust program for renewal and replacement of academy assets;
 - Funding of staffing costs that cannot reasonably be reduced within the required timeframe, up to the point that procedures can be implemented to reduce costs moving forward;
 - Funding of redundancy costs/severance payments to facilitate cost reductions moving forward; and
 - Funding of staffing costs to support additional resources in teaching and learning as considered necessary by the trust.

Pension Liabilities

Risks surrounding the trust's pension liability should be taken into consideration. The trust should assess its ability to meet the required pension contributions from projected future income without significantly impacting upon its planned level of activities.



5.0 RESERVES IN EXCESS OF TARGET LEVELS

It is expected that all Academies within the Trust will set a balanced budget for the year. Any forecast in-year surplus will be reviewed by the board, Chief Executive Officer and Director of Finance to ensure that existing students are not disadvantaged through the retention of excessive reserves.

6.0 EXPENDITURE AGAINST RESERVES

- 6.1 Any request for expenditure against the reserves balance must be notified by the academy to the Chief Executive Officer and Director of Finance, using the **Request Against Reserves Form** found at Appendix A.
- 6.2 This request will be presented to the A&RAC for scrutiny in line with financial levels of authority in the Scheme of Delegation, then passed to the board for approval.
- 6.3 This will enable the board to identify when, and for what reason, it is required to draw upon reserves and can consider what corrective action, if any, needs to be taken.
- 6.4 Any deficit budget that is forecast for the following financial year must be accompanied by a deficit recovery plan to ensure the long-term financial stability of the academy.

7.0 POOLING RESERVES

- 7.1 The ESFA is flexible in its approach to pooling of reserves (which can be fully, partially or not pooled) by trusts.
- 7.2 For the financial year 2022-23, the trust board specified trust reserves of each academy would remain with the relevant academy and will not be pooled by the trust, and individual academies take responsibility of managing their own revenue reserves within the context of budgets agreed with central services.
- 7.3 The trust board review this decision annually during budget setting.
- 7.4 Any reserves accumulated in the trust will be spent at the discretion of the trust board.

8.0 REPORTING RESERVES

- 8.1 Reserves are reported annually in the Annual Report and Financial Statements delivered to the Education & Skills Funding Agency (ESFA), Companies House and published on the trust's website.
- 8.2 In addition, reserves will be reported as part of periodic spending review reporting.



**SHARE MULTI ACADEMY TRUST
APPLICATION FOR EXPENDITURE AGAINST RESERVES**

EXECUTIVE SUMMARY
Academy:
Project details:
Amount requested:
Current year budget position:
Reserves b/fwd from previous year:

BUSINESS CASE
Introduction & project scope:

Summary of cost / Tenders received:

Submitted by: **Date:**
Principal / Headteacher / Head of School

Approved by:
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Chief Executive Officer Director of Finance

Date:
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