

2021-22 RESERVES POLICY, PROCEDURE & GUIDANCE

Version	1.1
Name of policy writer	Cleo Potterton
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Approved by Board of Directors	25 February 2021



1.0 POLICY STATEMENT

The Board of Directors (the 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/Head 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 across each academy and the central account.
- 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.
- 2.8 To assist in 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 Academies Financial Handbook (**2020**), published by the Education & Skills Funding Agency.

As documented in the handbook:

"2.2 Financial planning, monitoring and reporting

2.2.2 The board of trustees must approve a balanced budget, and any significant changes to that budget, for the financial year to 31 August, which can draw on unspent funds brought forward from previous years. The board must minute their approval(s).

2.2.5 The board of trustees must notify ESFA within 14 days if it is formally proposing to set a deficit revenue budget for the current financial year which it is unable to address, after unspent funds from previous years are taken into account.

3.0 SCOPE OF THE POLICY / continued

3.10 Managing General Annual Grant (GAG)

3.10.1 Managing surplus GAG

3.10.2 ESFA previously set limits on the amount of GAG that could be carried forward by trusts from year-to-year. These limits have now been removed for eligible academy trusts. Trusts should use their allocated GAG funding for the full benefit of their current pupils. If a trust has a substantial surplus they should have a clear plan for how it will be used to benefit their pupils, for example a long-term capital project.

3.10.3 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.

3.10.4 Pooling of GAG by multi-academy trusts

3.10.5 A multi-academy trust has the freedom to amalgamate a proportion of GAG funding for all its academies to form one central fund. This fund can then be used to meet the normal running costs at any of its constituent academies within the trust. In accordance with its funding agreement a multi-Academy trust must not pool PFI funding.

3.10.6 The multi-academy trust must give individual consideration to the funding needs and allocations of each constituent academy, and must have an appeals mechanism in place. If a constituent academy's principal feels that the academy has been unfairly treated, they should first appeal to the trust. If the academy principal's grievance is not resolved, they can then appeal to the Secretary of State, via ESFA, whose decision will be final and who can dis-apply the provisions for pooling in this handbook in relation to the multi-academy trust."

4.0 TARGET LEVEL OF RESERVES

- 4.1 It is anticipated that all trust academies, will hold a prudent level of reserves. The target level of reserves is circa 8% of General Annual Grant (GAG), representing 1 month of annual expenditure. However, it is expected that each academy will be reviewed on an individual basis with reference to their funding needs and requirements.
- 4.2 In addition, there should be a central contingency available to fund any short term resource needs. This should be a fixed sum of 50k (reviewed annually based on a review of risks).
- 4.3 Academies to work towards maintaining reserves levels throughout the medium term (3 year) plan.
- 4.4 A comparative between the current and target reserves balance should be reviewed by the Trust, annually (as a minimum).
- 4.5 The target level of reserves should ensure that sufficient funds are held to enable the trust to manage, in the short to medium term, any financial risk that may result from the following:
 - 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

4.0 TARGET LEVEL OF RESERVES / continued

- Delivering a robust program for renewal and replacement of academy assets e.g. ICT hardware
- 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
- 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 board maintains that the reserves balance of each academy will remain with the relevant academy and will not be pooled by the trust.
- 7.2 Any reserves that are accumulated in the trust will be spent at the discretion of the 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:**

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Principal / Headteacher / Head of School

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Approved by:

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Chief Executive Officer

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Director of Finance

Date:

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