

# Reserves Policy 2021

<b>FREQUENCY OF REVIEW:</b>	<b>Annually</b>
<b>COMMITTEE:</b>	<b>Resources Committee</b>
<b>RATIFICATION DATE:</b>	<b>Autumn Term 2021</b>
<b>RATIFIED BY:</b>	<b>Resources Committee / Trust Board</b>
<b>DATE OF NEXT REVIEW:</b>	<b>Autumn Term 2022 unless there is a material change</b>

The Reserves Policy/Statement adopted by the Board of TrustEd Schools' Partnership

Signed \_\_\_\_\_ Chair of Trust Board

Dated \_\_\_\_\_

Signed \_\_\_\_\_ CEO

Dated \_\_\_\_\_

## **1. Introduction**

- 1.1 TrustEd Schools' Partnership 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.
- 1.2 Academies are required to establish a Reserves Policy in order to protect their operations. However, 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.
- 1.3 Previously the ESFA set limits on the amount of General Annual Grant (GAG) that could be carried forward from one year to the next. These limits have now been removed so that Trusts have the freedom to keep reserves for when it is needed most and to build up reserves, for example for long term capital projects.
- 1.4 Reserves will be held by each school in the Trust as well as by the Central Trust.

## **2. Responsibilities**

- 2.1 The Board of Trustees of TrustEd Schools' Partnership are responsible for determining the content of the Policy.
- 2.2 The Board of Trustees delegates responsibility for reserves related approvals to the Resources Committee in line with the Financial Scheme of Delegation.
- 2.3 The Chief Education Officer (CEO) is responsible for the implementation of the policy in conjunction with the Director of Finance and Business.

## **3. Policy Aims**

- 3.1 The policy aims are as follows:
  - To ensure a consistent Reserves Policy across the Trust.
  - To identify a target level of reserves required across each school and the Central Trust account.
  - To explain the reason for holding reserve balances.
  - To ensure internal control arrangements within the Trust are operating effectively and assure proper stewardship over public funds.
  - To ensure that Trustees receive oversight of the reserves position of the Trust and challenge this position as required.
  - 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 schools.
  - To inform the budget process by considering whether reserves need to be used during the financial year to address an in-year deficit budget.
  - To assist in strategic planning by considering how new projects or activities will be funded.

#### **4. Scope of the Policy**

- 4.1 This Policy has been formulated in accordance with the Academies Financial Handbook, published by the Education & Skills Funding Agency.

#### **5. Target Level of Reserves**

- 5.1 It is anticipated that all Trust schools, will hold a prudent level of reserves. It is expected that the target level of reserves is 8% for Primary and 5% for Secondary school's income however it is expected that each school will be reviewed on an individual basis with reference to their funding needs and requirements.
- 5.2 The target level of reserves should ensure that sufficient funds are held to enable the Trust to manage, in the short 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.
  - Delivering a robust programme for capital renewal 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.

#### **6. Increasing the Reserves Balance**

- 6.1 It is expected that all schools within the Trust will set a balanced budget for the academic year. Any projected in-year surplus will be reviewed by the Resources Committee, Chief Education Officer and Director of Finance and Business for the Trust to ensure that existing students are not disadvantaged through the retention of excessive reserves.

#### **7. Expenditure against the Reserves Balance**

- 7.1 Any request for expenditure against the reserves balance over £10,000 is considered by the Resources Committee due to unprecedented financial and educational uncertainties this year.

All requests should be submitted to the Resources Committee using the Request Against Reserves pro-forma as per Appendix A.

- 7.3 This will enable Trustees 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.
- 7.4 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 school.

## **8. Pooling of Reserves**

- 8.1 The Trustees maintain that the reserves balance of each school will remain with the relevant school and will not be pooled by the Trust.
- 8.2 Any reserves that are accumulated in the Trust will be spent at the discretion of the Trustees.

**Appendix A – Application for Expenditure Against Reserves**

**TRUSTED SCHOOLS' PARTNERSHIP APPLICATION FOR EXPENDITURE  
AGAINST RESERVES**

**EXECUTIVE SUMMARY:**

**SCHOOL:**

**EXPEDITURE DETAILS:**

**VALUE REQUESTED:**

**CURRENT YEAR END FORECAST POSITION:**

**RESERVES B/F 01.09.2021**

**BUSINESS CASE**

**Introduction & Project Scope**

**Summary of Quates Received**

**Expenditure/ Quote Evaluation**

**SUBMITTED BY:**

**Headteacher .....**

**Date: .....**

**Chair of Governors: .....**

**Date: .....**

**APPROVAL:**

**Director of Business & Finance: .....**

**Date: .....**

**Chief Education Officer: .....**

**Date: .....**

**Chair of Resources Committee: .....**

**Date: .....**

