

# The Blue Kite

## Academy Trust

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<b>Title of Policy/Procedure</b>	Financial Reserves Policy
<b>Reviewer(s):</b>	Director of Operations Chief Finance Officer
<b>To be read in conjunction with the following policies:</b>	Financial Procedures, Administration and Control Policy
<b>Consultation Process</b>	N/a
<b>Policy Date:</b>	September 2021
<b>Review Date:</b>	September 2023

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## **Introduction**

The Trust Board need to consider the level of reserves the trust 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.

The reserves policy:

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

## **During the financial year**

The trustees identify:

- when reserves are drawn on, so that they understand the reasons for this and can consider what corrective action, if any, needs to be taken
- when reserve levels rise significantly above target so that they understand the reasons and can consider the corrective action, if any that needs to be taken
- where the reserves level is below target and consider whether this is due to short-term circumstance or longer-term reasons which might trigger a broader review of finances and reserves

## **Development of the academy's reserves policy**

When considering an appropriate level of reserves, the trustees consider:

- the risk of unforeseen emergency or other unexpected need for funds
- covering unforeseen day-to-day operational costs, for example employing temporary staff to cover a long-term sick absence
- a fall in a source of income, such as lettings
- planned commitments, or designations, that cannot be met by future income alone, for example plans for a major capital project
- the need to fund potential deficits in a cash budget, for example money may need to be spent before a funding grant is received

The financial risks identified determine the amount of reserves the trust targets to hold.

## **In-year reports to the directors**

In-year reports:

- compare the amount of reserves held with the target amount or target range set for reserves
- explain any shortfall or excess in reserves against target set

- explain any action being taken or planned to bring reserves into line with target

### **Annual financial statements**

The reserves policy disclosed in the trust report will include the following information:

- why reserves are held
- what amount/range of reserves is considered appropriate for the trust and its schools
- what the level of reserves is at the year end
- how the trust is going to achieve the desired level or range of reserves
- how often the reserves policy is reviewed

### **Target range of reserves for the financial year**

The level of reserve will be reviewed and set on an annual basis as part of the budget setting plan. The trust aims to ensure that there is a minimum of £1m included in revenue reserves at any given point in time, which equates to approximately the cost of one month's wage bill for the academy trust. The trust does not pool its reserves and individual schools take responsibility managing their own revenue reserves within the context of budgets agreed with the central office.

### **Monitoring and evaluation of the policy**

This policy will be monitored regularly for any changes in legislation or directions from the DFE which may have an effect and evaluated in the light of any comments made by the DFE, ESFA, auditors and any other interested parties.

### **Reviewing**

The Chief Financial Officer, the Chief Executive Officer and trustees will carry out a review of this policy on a regular basis to ensure that any new or changed legislation is adhered to.