

<b>Title of Policy/Procedure</b>	Financial Reserves Policy
<b>Reviewer(s):</b>	DCFO/Management Accountant
<b>To be read in conjunction with the following policies:</b>	Financial Procedures, Administration and Control Policy Investment Policy
<b>Consultation Process</b>	N/A
<b>Policy Date:</b>	September 2023
<b>Review Date:</b>	September 2024

---

## Table of Contents

1. THE RESERVES POLICY .....	3
1.1. Introduction .....	3
1.2. Purpose .....	3
1.3. During the financial year.....	3
1.4. Development of the Trust's reserves policy .....	3
1.5. Reporting and Monitoring Reserves .....	4
1.6. Annual Report and Financial Statements .....	4
1.7. Target range of reserves for the financial year .....	4
1.8. Review and evaluation of the policy .....	4

## **1. THE RESERVES POLICY**

### **1.1. Introduction**

- 1.1.1.** The Academies Trust Handbook (paragraph 2.8) states that the board of Trustees must:
- 1.1.2.** 'Set a policy for holding reserves and explain it in its annual report'
- 1.1.3.** Guidance on reserve policies and their reporting requirements is contained in the Education and Skills Funding Agency's (ESFA) annual Academies Accounts Direction.

### **1.2. Purpose**

- 1.2.1.** The reserve policy is to ensure the financial sustainability of the Trust and its schools, so that it has the ability to mitigate and respond quickly to changing financial circumstances.
- 1.2.2.** Reserves provide sufficient working capital to cover, for example, any delay between receipts of grant income and spending, to enable the Trust to deal with unforeseen costs or unexpected emergencies and to build up funding for planned future capital projects.
- 1.2.3.** There is no single level or range of reserves that is the 'right' level for all academy trusts. The Trust Board need to should consider the level of reserves that the Trust should hold that reflect the Trust's circumstances.
- 1.2.4.** The Reserves policy also assists in strategic planning by considering how new projects or activities will be funded
- 1.2.5.** Informs the budget process by considering whether reserves are required during the financial year or can be built up for future projects
- 1.2.6.** Informs the budget and risk management process by identifying any uncertainty in future income streams

### **1.3. During the financial year**

- 1.3.1.** The Trustees identify:
  - 1.3.1.1.** 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
  - 1.3.1.2.** 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
  - 1.3.1.3.** 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

### **1.4. Development of the Trust's reserves policy**

- 1.4.1.** When considering an appropriate level of reserves, the Trustees consider:
  - 1.4.1.1.** The risk of unforeseen emergency or other unexpected need for funds
  - 1.4.1.2.** Covering unforeseen day-to-day operational costs, for example employing temporary staff to cover a long-term sickness absence
  - 1.4.1.3.** A fall in a source of income, such as lettings

- 1.4.1.4. Planned commitments, or designations, that cannot be met by future income alone, for example plans for a major capital project
- 1.4.1.5. The need to fund potential deficits in a cash budget, for example money may need to be spent before a grant is received
- 1.4.1.6. Other key risks identified during a risk review

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

## **1.5. Reporting and Monitoring Reserves**

- 1.5.1. The level of reserves is reported in the monthly management accounts. The Deputy Chief Financial Officer/Management Accountant will monitor the progress of reserves to ensure that they are maintained at or above the required level.
- 1.5.2. The reserve balances will be reported regularly to the Finance Committee within the monthly management accounts.
- 1.5.3. The movement of funds to and from reserves will be at the discretion of the Trust.
- 1.5.4. Trustees keep the level of free reserves under active review given the Trust's plans for growth and development.

## **1.6. Annual Report and Financial Statements**

- 1.6.1. The reserves policy disclosed in the Trust's annual report will include the following information:
  - 1.6.1.1. Why reserves are held
  - 1.6.1.2. The value of reserves that is considered appropriate for the Trust and its schools
  - 1.6.1.3. The value of reserves at the year end
  - 1.6.1.4. How often the value of reserves to be held is reviewed

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

- 1.7.1. The level of reserves to be held will be reviewed on an annual basis. The Trust aims to ensure that there is a minimum of £1.6m included in revenue reserves at any given point in time, this equates to approximately one month's salary commitments for the Academy Trust.
- 1.7.2. 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 Trust senior leadership team and approved by the Board of Trustees.
- 1.7.3. Any excess reserves may be invested in accordance with the Investment policy.

## **1.8. Review and evaluation of the policy**

- 1.8.1. The Deputy Chief Financial Officer/Management Accountant will review this policy

every two years. There will be regular monitoring for any changes in legislation or direction from the DFE which may have an effect and the policy will be brought in line with any new or changed legislation. It will also be evaluated in the light of any comments made by the DFE, ESFA, auditors and any other interested parties.