



Reserves Policy

Document provenance

This Policy was approved by Trustees as follows –

Approver: Finance Committee

Date: February 2023

Review Date: February 2024

Executive Leadership team (ELT) Owner:

Chief Financial Officer

Unless there are legislative or regulatory changes in the interim, this policy will be reviewed every year. Should no substantive changes be required at that point, the policy will move to the next review cycle.

Policy purpose and summary

To ensure stability of the Trust's financial operations.

To support Academies against unexpected expenditure and ensure they can adjust quickly if this should occur.

Summary of changes at last review:

8.0 Removed reference to RODs (Regional Operations Directors).

Related policies or guidance

- The requirement for academies and multi-academy Trusts to set a reserves policy is developed from the Charity Commission guidance on reserves¹.

¹ <https://www.gov.uk/government/publications/charities-and-reserves-cc19>

Reserves Policy

1. Introduction and purpose

- 1.1. The purpose of the reserve policy for E-ACT is to ensure the stability of our Academies organisational operations, to protect them so that they have the ability to adjust quickly to financial circumstances, such as large unbudgeted expenditure, and cyclical maintenance and working capital.

2. Scope

- 2.1. This policy applies to all staff with budget holding responsibility.
- 2.2. All senior other staff should have an awareness of this policy to ensure that money is spent efficiently within the Trust.

3. Legislation and regulation

- 3.1. The following legislation and regulations apply in respect of this policy:
 - 3.1.1. The requirement for academies and multi-academy Trusts to set a reserves policy is developed from the Charity Commission guidance on reserves. ⁽²⁰⁾ Trusts must set a reserves policy and then report their reserves policy in the annual financial statements.

4. Definitions and Goals

- 4.1. Restricted reserves are represented by the main income for the Trust, which is the General Annual Grant (GAG) and other grant contributions or donations that are received for a specific project or purpose. These funds are restricted for use according to the funding agreements or donor's instructions.
- 4.2. The review of reserves will encompass the nature of the income and expenditure streams, the need to match income with commitments and the nature of reserves. The level of reserves will be determined by the Finance Committee annually.
- 4.3. The Finance Committee have determined that the Trust should aim to have a level of reserves as follows:
 - 5.5% of GAG income held in reserve for revenue spend (normal operating spend);
 - 1% of GAG for capital and estates;
 - 1% of GAG for ICT.
- 4.4. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants, and to provide a cushion to deal with unexpected emergencies such as urgent maintenance and any financial shocks.
- 4.5. All reserves are reported and reviewed regularly at the Finance Committee and management meetings. Expenditure from reserves must be approved by the Chair of the Board and the Chair of the Finance Committee and be in line with the scheme of delegated authority.

4.6. The level of reserve funds stated above can be a mixture of restricted and unrestricted funds.

4.7. Reserve levels must be maintained at £3.9m as a minimum.

5. Types of Reserve

5.1. Unrestricted

5.1.1. These are made up of the Trusts activities of self-generating funds and other donations which are expendable at the discretion of the Academy\Trust in furtherance to achieve the objectives. Spend must be in line with the scheme of delegated authority and procurement guidelines.

5.1.2. These funds will be reviewed regularly by the Trust. Expenditure from these reserves should be approved in line with the scheme of delegated authority and procurement guidelines.

5.2. Free Capital reserves

5.2.1. These reserves are made up of contributions through capital funding streams such as Devolved Formula Capital and the School Condition Allocation and other ad hoc capital grants received.

5.2.2. The review of reserves will encompass the nature of the income and expenditure streams, the need to match income with commitments and the nature of reserves. Expenditure from this reserve should be exclusively used for capital schemes and should not be spent on revenue projects.

5.2.3. Expenditure from these reserves should be approved in line with the scheme of delegated authority and procurement guidelines.

5.3. Committed Capital Reserves

5.3.1. Reserves for committed capital projects are represented by commitments to the fixed assets of the Trust. These must not be used in any other way than to balance the current net book value of the fixed assets and fixed asset commitments for the Trust and the relevant accumulated depreciation.

5.3.2. This will be reconciled on an annual basis to ensure that all fixed asset commitments the Trust has made are provided for in the Committed Capital Reserve at Net Book Value in the statutory accounts.

5.3.3. Any new additions to fixed assets must be funded from in year income (Revenue or Capital) or reserves (Revenue or Free Capital) in line with the delegated scheme of authority and procurement guidelines.

6. Use of Reserves

6.1. Identification of appropriate use of reserve funds

6.1.1. The Finance Committee, the Executive Leadership Team and senior E-ACT management will identify the need for access to reserve funds and confirm that the use is consistent with the purpose of the reserve as described in this policy. This step requires analysis of the reason for any shortfall, the availability of any other sources of funds before using reserves and evaluation of the time period that the funds will be required and replenished.

6.2. Authorisation of Use of Reserves

6.2.1. Authorisation to use reserves of any kind will be made in line with the delegated scheme of authority at the earliest opportunity and to allow the correct procurement processes to be followed. The Chair of the Board and the Chair of the Finance Committee must be involved and give approval of any decision to use reserves for any spending.

7. Training

7.1. If additional support or training on this policy is needed to support compliance, please contact a member of the Finance Team.

8. Responsibilities

8.1. The following responsibilities apply in relation to this policy:

- Finance Committee – Responsibility for approving the policy
- Chief Executive and Executive Leadership Team – Responsibility for ensuring implementation of the policy
- Education Directors - Responsibility for ensuring compliance and understanding within their academies
- Headteachers – Responsibility for ensuring compliance within their academies (budget management)
- All staff – Responsibility for ensuring compliance within their respective workplaces (budget management).

9. Monitoring, compliance, and impact

9.1. The Executive Leadership Team and Regional Directors are responsible for ensuring that the funds are maintained and used only as described in this policy. Upon approval for the use of these funds, the region will maintain a record of the use of the funds. The Trust will regularly monitor the progress of the reserves.