



Reserves Policy

Policy date: March 2020

Review date: March 2023

Reserves policy

Accurate and detailed financial planning underpins the ongoing success of any Academy Trust, and the effective management of reserves is critical to that process.

The purpose of this policy is;

- (a) to offer guidance to member schools as to the nature and level of reserves to be maintained, and on how those reserves should be utilised;
- (b) to confirm how the central MAT function will manage its reserves.

Capital reserves (ISBL wording below)

The academy works within the constraints as detailed in the Academies Financial Handbook to maximise the value of its public funding. The Trustees need to be mindful of the MAT's growth plan as Multi Academy Trusts with less than 5 schools and less than 3000 pupils are able to bid for a share of the Condition Improvement Fund (CIF). MATs with at least 5 academies and more than 3,000 pupils will receive a School Condition Allocation (SCA) to deploy across their estate. Where funding for particular programmes have time limits for achieving expenditure, any grant left unspent is at risk of clawback.

Procedure

- Each academy should propose a capital reserve schedule to the Board of Trustees ("Board") identifying the need to replace assets and the related sums required.
- The Board should agree the value of capital reserves to be created in a year as part of the budget approval process.
- Spend of the capital reserve fund should only occur as agreed budgeted spend which is approved by the Board as part of the budget process.

Revenue reserves

The policy of the Trust is to carry forward a prudent level of revenue reserves designed to meet its short-term cash flow needs, whilst also managing the longer-term cyclical needs of planning, and any capital investment that may be required. The policy is subject to the constraint that the

level of reserves does not exceed the level permitted by the ESFA within the Academies Financial Handbook; currently there are no limits imposed by the ESFA.

Academy reserve levels

Academies will maintain **operational** and **strategic** reserves.

Operational reserves are designed to enable individual academies to manage fluctuations in their normal operating income and expenditure. Utilisation of these reserves will be at the discretion of the academy. The operational reserve should always be positive and generally more than 1% and less than 3% of current year GAG income. Where an academy's operating reserve is forecast to fall outside of these parameters, the Trust will work with the academy to develop a plan to bring the reserve into line over an agreed time period. Positive reserves remaining at the financial year-end are carried forward to the following year and can be taken into account in the budget setting process.

Strategic reserves are maintained to manage the wider financial risk profile of the Trust and to allow for larger planned expenditure which would fall outside of the parameters of an academy's operational budget.

Academies are expected to maintain strategic reserves at a level of between 1% and 1.5% of current year GAG income. It is noted that academies may not be able to achieve this target range – challenges such as increasing pupil numbers in a lagged funding system, or long periods of staff absence may mean that the academy has to focus on maintaining its operational reserve only. However, if strategic reserve levels do fall below threshold in an academic year, it would be expected that the budgeting process for the following year would include a contribution towards increasing the reserve going forward.

The strategic reserve is a pooled resource, designed to respond to need, but also to opportunities. Utilisation of strategic reserves will be decided upon by the Trust Executive team, subject to approval by the Board of Trustees. Academies will be required to apply for approval either to access their own strategic reserve and/or to access that of others if their own reserves are not sufficient for the planned level of expenditure.

In the event that an academy accesses the strategic reserve of other academies in the Trust, the Trust Executive team and Board of Trustees will work with them to establish a repayment profile which returns the academy to a positive reserve position within a fair and reasonable timeframe.

The Trust Reserves Policy enables an academy to appeal against a decision made by the Trust Executive team and Board of Trustees to allow another Trust academy to access Trust strategic reserves.

Specific guidance for Bramcote College the Alderman White School (“specific guidance”)

For the duration of the period during which Bramcote College (“BC”) and Alderman White School (“AWS”), receive disproportionate funding per pupil, additional provisions are made under this policy.

- GAG allocations for BC and AWS will be considered on a combined basis, that is to say the funding will be “pooled”;

- Funding will be allocated out to the combined BC and AWS student population on the basis of a specific per pupil amount by key stage
- The per pupil amount will be determined Trust management team, agreed with the Head Teachers of BC and AWS and approved by the Trust Board of Trustees.

This specific guidance for BC and AWS will be reviewed annually and will be updated to reflect the move towards a National Funding Formula, which is expected to level out the current inequalities noted in the respective funding levels of these two schools.

Central reserve levels

The central MAT function (“MAT”) may build up operational reserves during a financial period. Any such reserves would not be carried forward in the MAT but would be devolved to all schools within the Trust, on a fair and equitable basis.

Restrictions

The Department for Education expects the Academy Trust to use their allocated funding for the benefit of their current pupils. As such, The White Hills Park Trust will not build up a substantial surplus without having in place a plan for how it will be utilised.

Right to appeal

In accordance with the Academies Financial Handbook, the Trust acknowledges an individual Academy’s right to appeal against a decision made by the Trust Board to access its strategic reserves. In relation to the “specific guidance” this right of appeal will also apply to the allocation of GAG to BC and AWS during the period for which this specific guidance is considered relevant.

If a constituent academy’s Head Teacher feels that the academy has been unfairly treated, they should appeal in writing to the Trust Chief Executive Officer (“CEO”). The CEO will consider the appeal and notify the Head Teacher of the academy of his/her decision within 10 working days of receipt of the appeal.