

RESERVES POLICY

Document Detail

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Approvals

Name	Position	Signature	Date
A Warboys	CEO	<i>A Warboys</i>	29 November 2021
J D Leam	Chair of Trustees	<i>J D Leam</i>	29 November 2021

Document History

Version	Date	Author	Note of Revisions
1	March 2018	A D'Arcy	
2	2 November 2019	J McKinlay	Wording changed throughout in reference to "Trustees, Principal, Pupil, AEC" Updated to reflect Scheme of Delegation changes
3	December 2020	A D'Arcy	Governance changes e.g. Directors to Trustees, and ESFA updated references in the 2020 Handbook.
4	November 2021	C Brook	Wording changed in reference to Chief Finance Officer. Updated EFSA references. Revised wording to Reserves target section.

1. INTRODUCTION

The Trustees of Accord Multi Academy Trust recognise that the Reserves Policy must address the management of financial risk across the Trust, whilst being mindful that existing students are not disadvantaged through the retention of excessive reserves.

2. PERSON RESPONSIBLE

The Trustees of Accord Multi Academy Trust are responsible for determining the content of the policy. The Principal/Head Teacher are responsible for the implementation of the policy and reporting any non-compliance to the Trust Board and Chief Executive Officer.

3. MONITORING AND EVALUATION OF THE POLICY

The Trustees will review the policy on an annual basis to assess the impact of any changes in legislation or direction from the DfE. The policy will also be evaluated with reference to any comments made by the DfE, ESFA, Trust auditors or any other interested parties.

4. POLICY AIMS

The policy aims are as follows:

- To ensure a consistent reserves policy across all member academies within the Trust.
- To identify a target level of reserves required across each member Academy within the Trust.
- 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 each member Academy adopts a structure of prudent financial management and maintains sufficient reserves to meet the future needs of the Academy.
- 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.

5. SCOPE OF RESERVES POLICY

This policy has been formulated in accordance with the Academies Financial Handbook 2020, published by the Education & Skills Funding Agency.

As documented in the handbook:

Financial planning

2.8 The board of trustees must:

- *ensure that financial plans are prepared and monitored, satisfying itself that the trust remains a going concern and financially sustainable*
- *take a longer term view of the trust's financial plans consistent with the requirement to submit three-year budget forecasts to ESFA*
- *as part of its management of the trust's funds, explain its policy for holding reserves in its annual report. Information on how the trust must report on reserves is set out in the Accounts Direction.*

Setting a budget

2.9 The board of trustees, and any separate committee responsible for finance, must ensure rigour and scrutiny in budget management.

2.10 The board of trustees must approve a balanced budget, and any significant changes to it, for the financial year to 31 August, which can draw on unspent funds brought forward from previous years. The board must minute its approval.

Managing General Annual Grant (GAG)

Managing surplus GAG

5.29 ESFA previously set limits on GAG carried forward by trusts from year-to-year. These limits have now been removed for eligible trusts (see section 5.60). ESFA will report to DfE any trusts where it has serious concerns about a long-term substantial surplus with no clear plans for its use.

Pooling of GAG by trusts with multiple academies

5.30 A trust with multiple academies can amalgamate GAG for its academies to form one central fund. This can be used to meet the running costs at any constituent academy within the trust. In accordance with its funding agreement a trust must not pool PFI funding.

5.30 The trust must consider the funding needs and allocations of each constituent academy and must have an appeals mechanism. If a constituent academy's principal feels the academy has been unfairly treated, they should appeal to the trust. If the grievance is not resolved, they can appeal to the Secretary of State, via ESFA. Where ESFA receives an appeal, it will review the process that the trust has followed, including whether the trust has considered the funding needs of the constituent academy, and whether the trust's internal appeals process has been applied. ESFA will provide the constituent academy and the trust with the opportunity to provide any evidence they feel is relevant to the case. ESFA's decision will be final and can result in the pooling provisions being dis-applied.

6. TARGET LEVEL OF RESERVES

It is anticipated that all Academies in the Trust will hold a prudent level of reserves. It is expected that the target level of reserves is circa 8%, representing 1 month of annual expenditure, however it is expected that each member Academy will be reviewed on an individual basis with reference to their funding needs and requirements. A comparative between the current and target reserves balance will be reviewed and projections on estimated future reserves balance will be made as part of the budget setting process and update of the 3 Year Financial Plan.

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 student 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 renewal and replacement of Academy assets 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.

An analysis of planned expenditure against reserves will be reviewed by the Trust and included in the reporting pack each month.

Increasing the reserves balance

It is expected that all Academies within the Trust will set a balanced budget for the year. Any forecast in-year surplus will be reviewed by the Board of Trustees, Chief Executive Officer and Chief Finance Officer for the Trust to ensure that existing students are not disadvantaged through the retention of excessive reserves.

Expenditure against the reserves balance

Any request for expenditure against the reserves balance must be notified by the Academy to the Chief Executive Officer and Chief Finance Officer for the Trust. This will enable the Trust 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.

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 Academy.

7. POOLING OF RESERVES

The Trustees maintain that the reserves balance of each Academy will remain with the relevant Academy and will not be pooled by the Trust.

Any reserves that are accumulated in the Trust will be spent at the discretion of the Trustees.

8. ACADEMY LOAN AGAINST TRUST RESERVES

It is noted that the gap between target and actual level of reserves varies across Academies within the Trust. To enable Academies to access additional funds, over and above the level of reserves held within the Academy, an application can be made by an Academy to take out a loan against the Trust reserves. All loan applications must be submitted using the pro-forma application as set out at Appendix A. All applications must be presented to the Chief Finance Officer and the Chief Executive Officer for approval. The Board of Trustees will then consider the application for approval on behalf of the Trust.

Approved loans against Trust reserves will be funded on a proportionate basis across the Trust. The Chief Finance Officer will inform all Academies involved in the transaction of the loan value, interest charges, and monthly repayment schedules.

To ensure that the loan agreement is mutually beneficial between all parties, all loans will be subject to an interest charge calculated at the current rate of return on the 32 day deposit account (to account for lost interest on funds) plus a 1.0% Inter Academy Charge. An illustrative example of the loan rate is set out in the pro-forma application at Appendix A.

Any instances of non-payment will be referred to the Board of Trustees and appropriate and agreed corrective action will be agreed.



ACCORD MULTI ACADEMY TRUST LOAN APPLICATION AGAINST TRUST RESERVES

EXECUTIVE SUMMARY

Academy: Academy #1

Project Details: Capital refurbishment works to current facilities

Loan Value Requested: £15,000

Loan Term: 3 years

Interest Charge & Repayments:

Base rate	0.50%
Deposit account return over base rate	0.07%
32 day account rate	0.57%
Inter Academy charge	1.00%
Loan rate	1.57%

Loan value	15,000
Interest p.a. @ 1.57%	236
Total interest	707

Total Repayment	15,707
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Annual repayment	5,236
Monthly repayment	436

Affordability: repayments met by annual DFC grant plus profit generated on out of hours childcare provision run by the Academy.

BUSINESS CASE

Introduction & Project Scope

Summary of Tenders Received

Tender Evaluation

Proposal

SUBMITTED BY

_____ **Date:** _____
Head Teacher

APPROVAL

_____ **Date:** _____
Chief Finance Officer

_____ **Date:** _____
Chief Executive Officer

_____ **Date:** _____
Chair of the Board of Trustees