



# **RESERVES POLICY**

## **Document Detail**

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<b><u>Owner:</u></b>	Director of Finance
<b><u>Approved by</u></b>	Board of Trustees
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<b><u>Consultation:</u></b>	Accord MAT Board of Trustees

## **Approvals**

<b>Name</b>	<b>Position</b>	<b>Signature</b>	<b>Date</b>
Alan Warboys	CEO	<i>A Warboys</i>	2 Dec 2019
John Leam	Chair of Trustees	<i>JD Leam</i>	2 Dec 2019

## **Document History**

<b>Version</b>	<b>Date</b>	<b>Author</b>	<b>Note of Revisions</b>
1	March 2018	A D'Arcy	
2	November 2019	J McKinlay	Wording changed throughout in reference to "Trustees, Principal, Pupil, AEC" Updated to reflect Scheme of Delegation changes
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## **1. Introduction**

- 1.1 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 pupils are not disadvantaged through the retention of excessive reserves.

## **2. Responsibilities**

- 2.1 The Trustees of Accord Multi Academy Trust are responsible for determining the content of the policy.
- 2.2 The Board of Trustees delegates responsibility for reserves related approvals to the Finance & Resources Committee in line with the Financial Authorities in the Scheme of Delegation.
- 2.2 The Chief Executive Officer is responsible for the implementation of the policy in conjunction with the Director of Finance and the Principals/Head of Academy.

## **3. Policy Aims**

- 3.1 The policy aims are as follows:
- To ensure a consistent reserves policy across the Trust.
  - To identify a target level of reserves required across each Trust academy and the central trust account.
  - 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 the Trust adopts a structure of prudent financial management and maintains sufficient reserves to meet the future needs of the Trust and its academies.
  - 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.

## **4. Scope of the Policy**

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

As documented in the handbook:

### **“2.2 Financial planning, monitoring and reporting**

2.2.2 The board of trustees must approve a balanced budget, and any significant changes to that budget, for the financial year to 31 August, which can draw on unspent funds brought forward from previous years. The board must minute their approval(s).

2.2.5 The board of trustees must notify ESFA within 14 days if it is formally proposing to set a deficit revenue budget for the current financial year which it is unable to address, after unspent funds from previous years are taken into account.

### **3.10 Managing General Annual Grant (GAG)**

#### **3.10.1 Managing surplus GAG**

3.10.2 ESFA previously set limits on the amount of GAG that could be carried forward by trusts from year-to-year. These limits have now been removed for eligible Academy trusts. Trusts should use their allocated GAG funding for the full benefit of their current pupils. If a trust has a substantial surplus they should have a clear plan for how it will be used to benefit their pupils, for example a long-term capital project.

3.10.3 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.

#### **3.10.4 Pooling of GAG by multi-Academy trusts**

3.10.5 A multi-Academy trust has the freedom to amalgamate a proportion of GAG funding for all its academies to form one central fund. This fund can then be used to meet the normal running costs at any of its constituent academies within the trust. In accordance with its funding agreement a multi-Academy trust must not pool PFI funding.

3.10.6 The multi-Academy trust must give individual consideration to the funding needs and allocations of each constituent Academy, and must have an appeals mechanism in place. If a constituent Academy's principal feels that the Academy has been unfairly treated, they should first appeal to the trust. If the Academy principal's grievance is not resolved, they can then appeal to the Secretary of State, via ESFA, whose decision will be final and who can dis-apply the provisions for pooling in this handbook in relation to the multi-Academy trust."

## **5. Target Level of Reserves**

5.1 It is anticipated that all Trust Academies, 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 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 has been reviewed by the Trust.

5.2 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 pupil 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.

## **6. Increasing the Reserves Balance**

- 6.1 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 Director of Finance for the Trust to ensure that existing students are not disadvantaged through the retention of excessive reserves.

## **7. Expenditure against the reserves balance**

- 7.1 Any request for expenditure against the reserves balance must be notified by the Academy to the Chief Executive Officer and Trust Director of Finance, using the Request Against Reserves pro-forma found at Appendix A.
- 7.2 This request will be presented to the Finance & Resources Committee for approval in line with the Financial Authorities in the Scheme of Delegation.
- 7.3 This will enable Trustees 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.
- 7.4 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.

## **8. Pooling of Reserves**

- 8.1 The Trustees maintain that the reserves balance of each Academy will remain with the relevant Academy and will not be pooled by the Trust.
- 8.2 Any reserves that are accumulated in the Trust will be spent at the discretion of the Trustees.

## **9. Loan Against Trust Reserves**

- 9.1 It is noted that the gap between target and actual level of reserves varies across academies within the Trust.
- 9.2 To enable academies and the central trust account to access additional funds, over and above the level of reserves held within the academy or the central trust account, an application can be made by an academy, or the central trust, to take out a loan against the Trust reserves.
- 9.3 All loan applications must be submitted using the pro-forma application as set out at Appendix B.
- 9.4 All applications must be presented to the Director of Finance, Chief Executive Officer and Board of Trustees, who will then consider the application for approval on behalf of the Trust.
- 9.5 Approved loans against Trust reserves will be funded on a proportionate basis across the Trust. The Director of Finance will inform all academies and the central trust account involved in the transaction of the loan value, interest charges, and monthly repayment schedules.

- 9.6 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.
- 9.7 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  
APPLICATION FOR EXPENDITURE AGAINST RESERVES**

**EXECUTIVE SUMMARY**

**Academy:**

**Project Details:**

**Value Requested:**

**Current year budget position:**

**Reserves b/f 01.09.2019:**

**BUSINESS CASE**

**Introduction & Project Scope**

**Summary of Tenders Received**

**Tender Evaluation**

**SUBMITTED BY**

\_\_\_\_\_ **Date:**

**Principal**

\_\_\_\_\_ **Date:**

**Chair of Academy Education Committee**

**APPROVAL**

\_\_\_\_\_ **Date:**

**Director of Finance**

\_\_\_\_\_ **Date:**

**Chief Executive Officer**

\_\_\_\_\_ **Date:**

**Chair of the Finance & Resources Committee**

**APPENDIX B – pro-forma application for Academy loan against Trust reserves.**



**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

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**

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\_\_\_\_\_  
**Date:**

**Principal**

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\_\_\_\_\_  
**Date:**

**Chair of Academy Education Committee**

**APPROVAL**

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\_\_\_\_\_  
**Director of Finance**

**Date:**

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\_\_\_\_\_  
**Chief Executive Officer**

**Date:**

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\_\_\_\_\_  
**Chair of the Finance & Resources Committee**

**Date:**