

RESERVES POOLING POLICY

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Approvals

Name	Position	Signature	Date
John Leam	Chair of Trustees	<i>J D Leam</i>	28 March 2022
Alan Warboys	Chief Executive Officer	<i>A Warboys</i>	28 March 2022

Document History

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1. INTRODUCTION

The Trustees of Accord Multi Academy Trust recognise that the Reserves Pooling 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. ROLES AND RESPONSIBILITIES

2.1 The Board of Trustees

The Board of Trustees is responsible for “*overseeing and ensuring effective financial performance*” (1.12 Academy Trust Handbook). Full details of Trustee responsibilities are set out in the Trust’s Scheme of Delegation.

2.2 The Chief Executive Officer (CEO)

The CEO, as Accounting Officer, has overall accountability for the operation of the Trust’s financial responsibilities. The CEO is responsible for ensuring that the Reserves Pooling Policy is applied clearly, appropriately, and equitably.

2.3 The Chief Finance Officer (CFO)

The CFO is responsible for supporting the CEO in the implementation of the Reserves Pooling Policy, supporting the Academies in the annual budget setting process, monitoring and reporting financial information to provide visibility to the CEO and the Board of Trustees, and holding budget holders to account.

2.4 Academy Leaders - Principal / Headteacher

Supported by the CFO and the Trust Finance Team, Academy Leaders are responsible for the day to day financial management of the Academy/Academies including management of the Academy budget.

3. MONITORING AND EVALUATION OF THE POLICY

Trustees will review the policy on an annual basis to assess the impact of any changes in legislation or direction from the DfE / ESFA. 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 purpose of this policy is to allow Trustees to direct funds to where they are most needed and support the delivery of the Trusts vision and strategy ensuring all pupils have an equal opportunity to learn and succeed. Reserve Pooling supports the fact that a Trust is a single financial entity who is responsible for the sustainability of all their constituent academies.

5. SCOPE OF THE RESERVES POOLING POLICY

The ESFA allow Academy Trusts the freedom to amalgamate GAG funding to form one central fund, however the following conditions are set out in the Academy Trust Handbook:

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.

5.31 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. RESERVES POOLING – REVENUE RESERVES

6.1 Implementation

The audited revenue reserves balance of each Academy, and the Central Trust reserves, as at 31 August 2022 over and above the target level of reserves will be consolidated into a single Trust balance. This includes Unrestricted Income Funds (those resources which may be used towards meeting any of the charitable objectives of the Trust, at the discretion of the Trustees) and Restricted General Funds (all other restricted funds (excluding fixed assets and pension reserves) received with restrictions imposed by the funder/donor and include grants from the Department for Education Group). From 1 September 2022, the newly created Central Reserves Fund will be managed by the Chief Executive Officer (CEO), the Chief Finance Officer (CFO) and Trustees.

6.2 Target Level of Reserves

It is recognised that the Trust must take a prudent approach to reserves and as such each Academy will retain minimum reserves target as stated in the Reserve Policy (currently 8%, representing c.1 month of annual expenditure across the Trust). The level of reserves held should be presented and discussed at the Finance and Resources meetings to provide visibility of available funds and show evidence of compliance with the minimum reserves target.

6.3 Requests against the Central Reserves Fund

The CEO and CFO, in conjunction with the Trustees, will be accountable for the Central Reserves Fund and will be responsible for the management of expenditure against the fund. Academy Leaders can submit a request for expenditure against Central Reserves.

Requests for the following financial year should be submitted as part of the annual budget setting process in the summer term, to be approved by Trustees alongside approval of the annual budget. Further requests can be submitted throughout the year and will be reviewed at the next planned Trustees meeting.

All requests will be reviewed in the first instance by the CEO and CFO, considering both Academy need, affordability, and equity of expenditure across the Trust. If approved by the CEO and CFO, the request will be submitted to the Finance & Resources Committee for final approval.

Expenditure may include, but is not limited to, the following areas:

Capital and Maintenance works

- 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.

Requests for capital and maintenance works against the Central Reserves Fund will be assessed in line with the prioritisation levels that are applied to the Trust 5-year capital plan. The prioritisation levels for these works are set out by the Trust, in conjunction with the Director of Estates, and are as follows:

1. Emergency Works

Investment in immediate remedial works to major elements of premises (roofs, mechanical services, etc) necessary to remedy actual, or prevent imminent premises closure.

2. Health & Safety

Investment in the physical aspects of premises which do not meet statutory regulations but that do not present an immediate threat of premises closure.

3. Condition

Investment in the physical state of the major elements of premises based on external condition surveys.

4. Sufficiency (including expansion or rationalisation)

Investment in total areas and the quantity and organisation of places within academies in relation to the demand for places. This can be “basic need” to expand to provide new places to meet demand or “not basic need” to expand other than to provide new places to meet demand.

5. Suitability

Investment to improve how well the premises meet the needs of pupils, teachers, staff and other users.

6. Efficiency

Investment in physical aspects of premises which directly result in revenue costs such as energy, transport etc.

Any request for capital and maintenance expenditure against the Central Reserves Fund, in addition to the expenditure set out in the 5-year capital plan, must be notified by the Academy, in the first instance, to the CEO and CFO for the Trust who will assess the request for funding on a case by case basis.

Non-Capital and Maintenance works

- Additional funding to support short term fluctuations in income e.g. reduced student numbers.
- 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 school improvement as considered necessary by the Trust.

Where previously general maintenance work including redecoration and the upkeep of the building may have been classed as capital projects, going forward these costs should be included in each Academies budget. All requests for non-capital works against reserves must be submitted by Academy Leaders and will be assessed on a case by case basis by the CEO and CFO.

6.4 Increasing the Reserves Balance

It is expected that all Academies within the Trust will set a balanced budget for the year. Whilst the Trust will not maintain levels of reserves that are excessive compared with total income levels, there is a need to maintain reserves greater than the target 8% to ensure that reserves are available for future capital projects since the Trust does not currently benefit from School Capital Allocation (SCA) funding.

It is proposed that all capital spend will be funded from the central reserves fund, as appropriate a reserves contribution may be applied to each Academy budget in order to maintain Trust reserves. This will be agreed annually as part of the budgeting process. In addition, any in year surplus will also be transferred to the central reserves fund.

Any pre-approved budget deficit in the Trust central budget or Academy budget at the end of the financial year will be offset against the Trust Reserves Fund. The reported deficit will be reviewed by the CEO and CFO, in conjunction with the Academy Leader, to ensure that the deficit is in line with expectations and conditions set out at the point the deficit was approved.

If an Academy is supported by an approved in year budget deficit, the Trust reserves the right to include a repayment back to the Trust Reserves Fund in future years as a mechanism of repayment, partly or wholly, of the reported deficit at the end of the financial year. The Trust will only support an ongoing budget deficit in exceptional circumstances.

Any unapproved deficit in the Trust central budget or Academy budget at the end of the financial year will be reviewed by the CEO and CFO, in conjunction with Trustees, who will have the discretion to reclaim the overspend, wholly or partly, from the next years' budget if required.

7. RESERVES POOLING – CAPITAL RESERVES

7.1 Implementation

The audited capital reserves balance of each Academy, as at 31 August 2022 will be consolidated into a Central Capital Reserves Fund. From 1 September 2022, the newly created Central Capital Reserves Fund will be managed by the CEO, the CFO and Trustees.

7.2 Utilisation of the brought forward Capital Reserves Fund

Any Condition Improvement Fund (CIF) funds brought forward at 1 September 2022 will be expended in line with the approved CIF programme of works. Any Devolved Formula Capital (DFC) funds brought forward at 1 September 2022 will be added to the Central Capital Reserves Fund.

7.3 Management of the in-year Capital Reserves Fund

All DFC income will be consolidated to form a single capital fund. In the future if the Trust grows resulting in eligibility for School Condition Allocations (SCA), this funding will be consolidated into the single capital fund. This fund will be managed by the CEO and CFO, in conjunction with Trustees. Funding will be allocated based on approved capital expenditure plans and Academy Leaders will

have the opportunity to be involved in setting the capital expenditure plans for their respective Academies.

8. ANNUAL BUDGETING PROCESS

The annual budget setting process will continue to be managed as a 'bottom up' approach for each Academy and the Central Trust in the summer term. All Academies should aim to deliver a balanced budget, and all budgets must be approved by the Board of Trustees following completion of the budget planning process.

Following budget approval, the detailed budget will be issued to each Academy confirming budget values and accountability for each cost centre. The statement will set out a calculation supporting either the net contribution to, or net contribution due from, the Central Fund.

Academies, and the Central Fund, will continue to be monitored on the cost centres that they are accountable for. The Finance Team will monitor the cashflow forecast for each Academy to ensure that sufficient funds are available to cover budgeted costs.

9. ARRANGEMENTS ON TRANSFER

Upon joining the Trust, the joining school will be allocated reserves equal to 8% of their income with any reserves above this level becoming part of the Trusts reserve balance whilst the school is a member of the Trust.

10. APPEALS PROCESS

If an Academy feels that they have been treated unfairly through the application of the Reserves Pooling Policy they should submit an appeal through the Trusts' Internal Appeals Process detailed below.

10.1 Internal Appeals Process

In the first instance, the Academy Leader must inform the CEO of the appeal, in writing, within 5 working days of being issued with the annual Reserves Pooling Statement. The appeal should document the nature of the dispute, how much additional funding is required (supported by appropriate evidence), what the funding will be used for, and what would be the potential impact on the Academy if the funding was not received.

If the dispute cannot be fully resolved between the CEO and the Academy Leader, the appeal will be escalated to the Chair of Trustees. The Board of Trustees must meet to consider the appeal and notify the Academy Leader of the outcome within 10 working days of receipt of the documentation.

If the Academy Leader remains dissatisfied with the outcome, they must appeal directly to the Secretary of State, via the ESFA. All decisions reached by the Secretary of State are considered final.