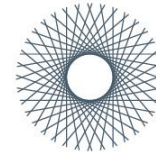


# Reserves policy



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## 1 INTRODUCTION

- 1.1 The Trust Board is responsible for the effective and efficient use of available resources. These responsibilities are outlined by the Charities Commission in their published guidance:  
<https://www.gov.uk/government/publications/charities-and-reserves-cc19>
- 1.2 The Board is ultimately responsible for the allocation of resources to deliver the vision of the Trust. Within this context the Board delegates responsibility for the management of available finances and reserves to local academy governing boards as outlined in the scheme of delegation, and within the constraints of budgets approved by the Academy Governing Board and Trust Board.
- 1.3 Academy Governing Boards are accountable to the Board for the level of school reserves at any particular time.

## 2 OBJECTIVES

- 2.1 The Trust's reserves policy:
  - assists in strategic planning by considering how new projects or activities will be funded;
  - informs the budget process at both a school and a Trust level by considering whether reserves need to be used during the financial year or built up for future projects;
  - identifies the purpose of the Trust's central contingency reserves and those held by individual schools;
  - enables investment decisions to be made at a Trust level, where necessary utilising school and central Trust level reserves; and
  - informs the budget and risk management process by identifying any uncertainty in future income streams.

### 3 APPLICATION OF THE POLICY

3.1 When considering an appropriate level of reserves, the Board considers:

- the risk of an unforeseen emergency or other unexpected need for funds;
- a fall or rise in sources of income;
- planned commitments, or designations, that cannot be met by future income alone, for example, plans for a major capital project;
- the provision of centrally held reserves to support individual schools with reserves below the minimum levels;
- the need to fund potential deficits in a cash budget, for example, money may need to be spent before funding is received; and
- the full range of financial risks identified in the risk register.

### 4 A BALANCED BUDGET

4.1 Schools within the Trust are expected to set and maintain a balanced budget where costs are met from income in a given year. Accumulated reserves can be utilised, subject to the provisions of this policy, the approved budget and the financial regulations (including the scheme of delegation).

### 5 MAINTAINING A MINIMUM/ MAXIMUM LEVEL OF RESERVES

5.1 Individual schools are expected to maintain as a minimum a reserve's balance equal to a 5% threshold of their respective total GAG funding.

5.2 Individual schools should not exceed a maximum reserve's balance equal to a 10% threshold of their respective total GAG funding except with prior agreement from the Trust board. Excess reserves should only be maintained for a specific purpose or project.

5.3 GAG income is defined as the total of pupil lead factors, other factors and minimum funding guarantee ('MFG') funded by the ESFA. This does not include pupil premium, universal infant free school meals or rates relief.

5.4 For the purpose of this policy, reserves are deemed to exclude restricted fixed assets funds, pension reserves (see note 9 below) and any other specifically designated funds (e.g. funds held for particular, Board approved projects).

5.5 The minimum level of reserves is ultimately determined by the need to maintain a positive net assets position for the Trust and sufficient reserves for the school to remain cash positive and operational.

## 5.6 The Trust will:

- Maintain a central contingency reserve of 1% of total GAG funding as a minimum (aggregation of schools GAG funding). This will be generated through the schools' 0.5% contribution to central reserves;
- Make available central contingency reserves to fund any short term resource needs (see section 7 below);
- Ensure aggregated reserves across the Trust and the schools meet a minimum threshold of 5% of total GAG income;
- Review the opportunities and risks at a Trust level in order to assess the required level of resources needed to meet anticipated and unanticipated needs in the short and long-term

5.7 Where schools hold reserves which are above the upper threshold, the Board would seek to agree a phased plan to bring the schools' reserves back in-line with this policy. The Board would look to obtain approval from the Headteacher and Academy Governing Board, although the final decision would remain with the Board.

5.8 If, following 5.7, schools are unable to bring reserves in-line with this policy the Board may, after due consideration, reallocate reserves in excess of the upper threshold target centrally to support the Trust in delivering its vision and wider strategic priorities

5.9 Where schools hold reserves which are below the minimum threshold, the school will be required to provide a 3 year budget as part of the annual budgeting process which shows a return to a minimum reserves level of 5% by the end of a 3 year period. This will form part of the budget approval process.

5.10 Discussions will take place with Headteachers and Academy Governing Boards as part of the annual budget setting and approval process regarding the use of reserves to meet agreed strategic and investment objectives and school improvement plans. Plans for use of these reserves must be sustainable and have impact on children's outcomes.

## 6 ADDITIONAL FUNDS AVAILABLE TO SUPPORT INDIVIDUAL ACADEMIES

6.1 Schools are able to apply to the Trust to use additional resources which would reduce their reserves below the 5% level stated above, subject to:

- The Trust being able to maintain the required minimum levels of reserves in aggregate across all academies, as outlined above;
- The school is able to provide a 3 year budget which shows a return to a minimum reserves level of 5% by the end of a 3 year period; and
- The Board, in its discretion, approves the use of additional funds on the basis of the 3 year budget submitted by the school.

6.2 The policy is the responsibility of the Trust and decisions involving the use of reserves will be made in accordance with the governance documents of the Trust.

## 7 CENTRAL CONTINGENCY RESERVES

7.1 Schools may apply to use the central contingency reserves to cover the following:

- An unforeseen emergency; or
- Other unexpected needs such as urgent educational support or repair works.

7.2 Schools are only eligible to apply in the event that:

- The expenditure will reduce the school's own reserves to less than 3% of annual GAG, or
- Reserves are expected to be under 3% of annual GAG by the end of the current financial year based on their current approved budget.

7.3 The Trust may expect repayment of some, if not all of the central funds provided under a repayment plan which will be agreed with the school. This would be agreed on a case-by-case basis by the Trustees or Executive based on the amount of funding required and purpose and in line with the Scheme of Delegation.

7.4 An award will be granted if sufficient funds are available within the central reserves.

7.5 The procedure for applying to the central reserves fund is as follows:

- The Headteacher completes the application form (Appendix 1), which should be approved by the AGB and submitted to the Trust's CEO.
- Awards will be made in line with the Scheme of Delegation for unbudgeted items;
  - Up to £5,000 - CEO
  - Up to £10,000 – FARE Committee
  - Over £10,000 – Trust Board

## 8 MONITORING AND REPORTING

8.1 The Trust will monitor individual school reserves levels through its review of the monthly management accounts.

8.2 Each year, the Trust will report in the financial statements:

- The level or range of reserves considered appropriate for the Trust;
- The level of reserves at year-end;
- How the Trust is going to achieve the desired level or range of reserves; and
- How often the reserves policy is reviewed.

## 9 NEW SCHOOLS JOINING THE TRUST

- 9.1 Approval of new schools joining the Trust will include consideration of 3 year budgets, strategic and investment plans and actions required to bring reserves levels in accordance with this policy.

## 10 PENSIONS LIABILITIES

- 10.1 The risks surrounding the Trust's pension liability should be taken into consideration. The presence of a pension's surplus or deficit will result in a cash flow effect for the Trust in the form of an increase or decrease in the Trust's future pension contributions over a number of years. The Board will assess the ability of the Trust in aggregate (and by individual school) to meet the required pension contributions from projected future income without significantly impacting upon its planned level of activities or reserves.
- 10.2 The above relates only to the Local Government Pension Fund as Teachers' Pensions are underwritten by the government.

## APPENDIX 1 – APPLICATION FOR CENTRAL CONTINGENCY RESERVES

Name of school	
Date	
Current reserves	
Project description	
Cost (please provide quotation/estimates)  Please ensure quotations are in line with the ALP Scheme of Delegation	
Full explanation	
Proposed repayment plan	
Agreed by CEO	
Agreed by FARE	
Agreed by Trust	