



TWO RIVERS
HIGH SCHOOL



Reserves Policy

Endeavour Multi Academy Trust

Approved: Summer Term 2022
Trust - Finance Committee

Next Review: Summer Term 2023

Introduction and background

Endeavour Multi Academy Trust 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> and the Academy Trust Handbook.

The Trust is ultimately responsible for the allocation of resources to deliver the vision of the MAT. Within this context the Board delegates responsibility for the day-to-day management of agreed finances and reserves to the individual schools and Local Governing Boards as outlined in the scheme of delegation and within the constraints of budgets approved by the MAT.

Each school and Local Governing Board is accountable to the Board of Trustees to maintain the level of reserves as outlined in this Reserves Policy and to obtain permission from the Board, via the Finance Committee, for any expenditure against these reserves.

Types of Reserves

Unrestricted Reserves

- Derived from income funds, grants or donations that can be spent at the discretion of Trustees in furtherance of the MAT's objectives.
- If part of an unrestricted income fund is earmarked for a particular project it may be 'designated' as a separate fund. However, the designation has an administrative purpose only and does not place restrictions on how the fund is eventually spent.
- Unrestricted reserves will be generally achieved through operating efficiencies and from any trading activity surplus.

Restricted Reserves

- Mainly derived from government grant funding through the ESFA (Education and Skills Funding Agency) but may also include other grants or donations provided for a specific purpose.
- Restricted reserves must be used in accordance with the limitations outlined in the original funding (in the case of ESFA funding, this is as detailed in the Trust's Funding agreement). So, they are funds that must be spent on things the donator has specified or for the purpose for which it was given.

Capital Reserves

- Mainly derived from government funding to be allocated to Capital Projects and spent in accordance with the Funding Agreement.

Purpose of this Policy

- Assists in strategic planning by considering how new projects or activities will be funded.
- Informs the budget process at Board level by considering whether reserves need to be used during the financial year or built up for future projects.
- Enables investment decisions to be made at a Board level, where necessary utilising reserves across the MAT.
- Informs the budget and risk management process by identifying any uncertainty in future income streams.

Application of the Policy

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

- The risk of unforeseen emergency or other unexpected needs 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 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.

A Balanced Budget

Schools within the MAT are expected to set and maintain an in-year balanced budget where costs are met from income in a given year. Accumulated reserves can be utilised, subject to the provision of this policy and the scheme of delegation.

A request to utilise any accumulated reserves must be submitted for consideration to the Trust Finance Committee prior to schools making any commitment to spend.

Maintaining a Minimum Level of Reserves

Individual schools must maintain, as a minimum, a reserves balance equal to 10% of total funding.

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

The minimum level of reserves is ultimately limited by the need to maintain a positive cash accounting position for the MAT and may, therefore, be subject to change.

Where this requirement is not met, the provisions of the Financial Scheme of Delegation regarding the treatment of schools with deficit balances will be applied.

The maximum level of reserves will take into account the following factors:

- Two month's gross salary bill.
- The Trust's annual budget.
- The need for any large project spend such as facilities development or building condition needs.
- Any uncertainty, turbulence or expected reduction in funding arrangements.
- Anticipated funding over the next three years.

Monitoring and Reporting

Each year, the Board will report in the financial statements:

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

The Finance Committee will monitor each school's budget against actual expenditure together with the level of reserves and will hold the school and its Local Governing Board to account where they fall into deficit.

Pensions Liabilities

The risks surrounding the Board's pension liability should be taken into consideration. The presence of a pensions' surplus or deficit will result in a cash flow effect for the MAT in the form of an increase or decrease in the MAT's future pension contributions over a period of years. The Board should assess the ability of the MAT (and individual schools) to meet the required pension contributions from projected future income without significantly impacting upon its planned level of activities.

The above relates only to the Local Government Pension Fund as Teachers' Pensions are underwritten by Government.