



SCHOLARS ACADEMY TRUST

Reserves Policy

Jan 2021

December 2023

Signed: 

Chair of the Trust

Date: 26/1/21

Reserves Policy

Purpose

Scholars Academy Trust has established a reserves policy to protect its activities by providing a financial comfort zone against an unpredictable environment and to make sufficient provision for future cash flow requirements and capital procurement. The policy also provides the framework for future strategic planning and decision-making. The development of an effective reserves policy will restrict the impact of any risk upon the continuing operations of the MAT.

This policy relates to all schools and settings across the Trust and supersedes any local policies and procedures that have been in use prior to the academy conversion.

Revenue – Academies are expected to hold contingency reserves from their GAG funding, or other income, to fund future expenditure related to academy or trust development, strategic long-term aims and developments, in addition to provisions for unexpected events.

Restricted Reserves

Restricted Revenue Reserves are represented by the main funding for the academy which is the General Annual Grant and other central funding streams, Local Authority funding and other Government grants/income that are received for a specific project or purpose i.e. Catch up funding, Pupil Premium, UIFSM, PE & Sports Grant etc. These funds are restricted for the use according to the funding agreements of donors' instructions.

Local Reserves

The trustees have determined that:

- The appropriate level of 'general' reserves to be held locally, at the each school, for non-earmarked expenditure **must** equate to a minimum of 2% of the school's total restricted funding, to provide sufficient working capital to cover delays in the spending and receipt of grants and to provide a cushion for unexpected emergencies.
- The school **will** accumulate a local 'staff' contingency, equating to a minimum of 2 teachers of the restricted funding, to meet unexpected/non budgeted staffing costs or bridge establishment restructuring, including redundancy payments/costs etc.
- The school **will** accumulate a local 'premises' contingency (excluding specific capital project contribution), to meet unexpected maintenance work or site development not covered within the annual budget.
- The Trustees will consider a capital reserve programme for the replacement of ICT equipment appropriate, to reduce the budgetary impact, in any single year, of large-scale capital investment.

- Schools **will** prepare a three to five year 'rolling' programme to ensure ICT hardware and infrastructure is replaced/maintained to ensure up to date and effective technology is embedded throughout the school.
- The appropriate level of 'ICT' reserve is to be determined by the Executive Headteacher/Headteacher/Head of School, CFO and School finance lead for the LGB with supporting narrative in the school's budget documentation.

Each school must monitor the progress of its reserve schedule.

The trustees expect schools to have appropriate levels of reserves, as determined below within three years of academy conversion.

Central Reserves

- The Trust board will keep a central reserve for cover unexpected cost at Trust level or to support schools.
- The Trustees reserve the right to recover local revenue balances held above 10% of an academy school's **total** revenue (restricted and unrestricted revenue).

Use of Reserve

Scholars Trust considers it prudent for academy schools to maintain a level of usable reserves sufficient to cover unexpected and unplanned events so that the schools' primary objectives are preserved. At the same time the Trustees wish to ensure that it uses its funding to benefit the pupils in its care which implies an imperative to consider actively using reserves to enhance the educational provision for pupils.

In deciding the use of reserves trustees will consider the following:

- a) Uncertainty, turbulence or expected reduction in funding arrangements
- b) Impact of Pension and HMRC changes on employer payroll costs
- c) The need for any large project spends to include facilities development, ICT investment or building condition needs
- d) Fluctuations in pupil numbers, particularly falling roll numbers
- e) Cash flow issues
- f) The trust's consolidated annual budget
- g) Any external factors that could affect the budget eg pandemic,

Current Plans for use at Trust and School Level

- Between 2021 – 24 each academy may need to use some of the reserves to supplement the government's catch up programmes.
- Hold a reserve in anticipation of building works

- The Trust may use the reserves to build capacity within the Trust as it grows
- Support for joining schools may be needed, this will be determined case by case

Monitoring of Reserves

- The LGB are responsible for ensuring that the level and use of reserves is agreed and monitored.
- Schools should include a programme for building/maintaining reserves as part of its budget planning and benchmarking process.
- Each school with the support of the CFO must maintain a medium-term financial forecast which will show how end of year reported reserves will be utilised.

The level of reserves will be monitored throughout the year as part of the normal monitoring and budgetary reporting processes to:

- Identify when reserves are drawn on, the reasons and any corrective action, if any, that needs to be taken.
- Identify when reserve levels rise or fall significantly above or below target, the reasons and any corrective action, if any, that needs to be taken.
- Ensure that the reserves policy continues to be relevant as the Trust develops or brings on board new activities.
- Review the statement on reserves in the Trustees' Annual Report where there have been significant changes in the reserves policy or level of reserves held.

Review of Policy

- The policy will be reviewed biannually or sooner if warranted by internal or external events or changes. The Board of Trustees must approve all changes.