

THE HEATH ACADEMY TRUST

Reserves Policy

inspire transform together



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Reserves Policy

Purpose

Implementation of a reserves policy for The Heath Academy Trust will help to ensure the stability of the Trust's financial operations. Maintaining an appropriate level of financial reserves is considered essential in mitigating the effect of financial risk in the schools.

Goals

In general, it is considered prudent to maintain a level of usable reserves sufficient to cover unexpected and unplanned events so that the Trust's primary objective is preserved. At the same time, the Trustees wish to ensure that it uses funding to benefit the students in its care, which implies an imperative to actively consider the use of reserves to enhance educational provision. In deciding the level of reserves Trustees will take into account the following:

- Uncertainty, turbulence or expected one-off reduction in funding arrangements
- The need for any large project spend to include facilities development, ICT investment or building condition needs
- Fluctuations in pupil numbers
- Cash flow issues
- The Trust's consolidated annual budget

In general, reserves should be sufficient to cover at least one month's Trust regular expenditure plus any imminent commitments on capital spend.

Restricted Reserves

Restricted reserves are derived from the main funding for the individual schools which is the General Annual Grant (GAG) and other funds that are received for a specific project or purpose. These funds are restricted for use according to the funding agreements' instructions.

The Trustees have determined that on an annual basis the level of reserves which are held by the school will be reviewed. The Trust Board have determined that the appropriate level of reserves, which should be held for non-earmarked expenditure equates to 12% of reserves. This level provides sufficient working capital to cover delays in the spending or receipt of grants and to provide a cushion for unexpected emergencies.

Following the annual review, the Trust Board reserves the right to retain balances held above the pre-determined limit of 12%; if it is felt that such additional surpluses are not appropriately earmarked and do not form part of a robust strategic financial plan.

The annual review will:

- Take place after the annual audit has been completed
- Will be calculated using the reserves at the end of the proceeding academic year, as confirmed by the auditor
- The basis used to calculate the total reserves will be the same as used to calculate the top slice payable by the schools and will exclude PE & Sports Grant, Pupil Premium, CIF and any other ESFA grants that are ring fenced for specific purposes
- The total reserve will be compared to the GAG allocation for the same academic year and where the balance exceeds 12%, without a planned project or purpose for these funds, the Trust will retain the excess

The Trust Board will ensure that any reserves recovered from schools will be used for the benefit of all schools and by agreement of the Trust Board.

Unrestricted Reserves

Unrestricted reserves derive from surpluses arising from the individual schools' activities for generating funds, investment income and other donations, which are expendable at the discretion of the trustees in furtherance to achieve the objectives of the school. Currently, the Trust does not impose a limit for unrestricted reserves; however, schools are encouraged to demonstrate how unrestricted reserves are to be utilised for School Development and Financial Management Plans.

Reporting and Monitoring

The Trust Board is responsible for ensuring that the level and use of both restricted and unrestricted reserves is monitored.

Each school will maintain a medium term financial forecast, which will show how end of year reported reserves will be utilised.

The Trust Board will monitor the use of exceptional reserves determined above within agreed timescales

Review of Policy

The policy will be regularly reviewed if warranted by internal or external events or changes. The Board must approve all changes.