



**St Edmundsbury and Ipswich**  
Diocesan Multi Academy Trust

## Reserves Policy

<b>Date approved:</b>	28 <sup>th</sup> April 2023
<b>Next Review Date:</b>	February 2024
<b>Body Responsible for Review:</b>	Finance & Audit Committee

## **Our Vision and Values**

The MAT's vision is to provide the highest possible quality of education, underpinned by our Christian ethos and values. We are committed to developing cultural capital for pupils, especially disadvantaged pupils, the wellbeing of staff, developing leaders, providing high quality CPD for staff, ensuring financial probity and effective governance.

### **1. Introduction and background**

1.1 St Edmundsbury and Ipswich Diocesan 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 Academies Financial Handbook.

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

1.3 The Local Governing Body is accountable to the MAT Board to maintain the level of reserves as outlined in this reserves Policy and to obtain approval from the MAT Board, via the Finance and Audit Committee, for any expenditure against these reserves.

## **2. Types of Reserves**

### **2.1 Unrestricted Reserves**

- Derived from income funds, grants or donations that can be spent at the discretion of Directors in furtherance of the Trust'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.

### **2.2 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 agreements and contracts. In the case of ESFA funding, this is as detailed in the Trust's Funding agreement. In all cases, restricted funds must be allocated as the donor has specified.

### **2.3 Capital Reserves**

- Mainly derived from government funding to be allocated to Capital Projects and spent in accordance with the Funding Agreement. This will be monitored centrally to ensure that funding is spent within the allocated time period.

### **3. Purpose of this policy**

#### 3.1 St Edmundsbury and Ipswich Diocesan Multi Academy Trust Reserves 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.
- Provides clarity on the minimum level of reserves to be maintained at individual schools and outlines action required where these minimums are not met.
- Outlines action to be followed in the event that individual schools are forecasting breaches of minimum reserve levels.

### **4. Application of the policy**

#### 4.1 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.
- the full range of financial risks identified.

### **5. A balanced budget**

5.1 Schools within the MAT are expected to set and maintain a balanced budget where costs are met from income each year. Accumulated reserves can be utilised, subject to the provision of this policy.

5.2 Where an individual school is unable to demonstrate ability to develop and manage a balanced budget, the Board reserves the right of intervention.

### **6. Maintaining a minimum level of reserves**

6.1 Individual schools must maintain, as a minimum, forecast and actual reserves balance equal to 10% of total annual revenue funding. Forecast period includes the current academic year, plus the next two academic years.

6.2 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).

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

6.4 All surplus reserves over 10% will be considered by the Board for all strategic or emergency initiatives within the Trust.

6.5 The Board will:

- Seek to maintain the aggregate of individual school reserves, amounting to a minimum of 10% of all revenue income.
- Review the opportunities and risks at Board level in order to assess the required level of resources needed to meet anticipated and unanticipated needs in the short and long-term,
- Require a recovery plan to be submitted for review and approval from schools which have experienced, are experiencing, or are forecasting a level below 5% for a period of two consecutive years or more.
- Require an annual proposal of how reserves will be built up for those schools not currently holding reserves at 10% of revenue funding.

## **7. Additional funds available to support individual schools**

7.1 Schools are able to apply to the Board to use additional resources which would reduce their reserves below the agreed minimum level, subject to:

- The Board is able to maintain the required minimum levels of reserves in aggregate across all schools as outlined above.
- The school is able to provide a 3-year budget which shows a return to minimum reserves by the end of a 3-year period.
- The MAT Board, in its discretion, approves the use of additional funds on the basis of a business case submitted by the school.

7.2 This policy is the responsibility of the MAT Board, delegated to the MAT Finance & Audit Committee and decisions involving the use of reserves will be made in accordance with all Articles of Association and Master Funding Agreement of the Trust.

## **8. Schools joining the Trust**

8.1 A surplus balance brought forward into the MAT by a joining school shall be nominally allocated to the joining school and deployed as follows in priority order:

- To address urgent compliance and health and safety issues at the time of conversion, as well as other urgent requirements determined by due diligence e.g., school improvement. Compliance and health & safety issues will normally be determined by a condition survey commissioned on joining.
- Any remaining balance brought forward will be added to the general reserve noting any specific project or programme the reserves have been accumulated for.
- Schools that are accepted and have a deficit will be the subject of a specific recovery plan agreed with the Board of Directors and the ESFA prior to entry.

## **9. Monitoring and Reporting**

9.1 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.
- How often the Reserves policy is reviewed.

9.2 The MAT Finance and Audit 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 Body to account where they fall into deficit.

## **10. Pensions Liabilities**

10.1 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 Trust in the form of an increase or decrease in the Trust's future pension contributions over a period of years. The Board should assess the ability of Trust (and individual schools) to meet the required pension contributions from projected future income without significantly impacting upon its planned level of activities.

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