



RESERVES POLICY

Next review date: AUTUMN 2021

Introduction

The Charities Statement of Recommended Practice 2005 (updated 2008) (known as the Charities SORP) states that where reserves are held, it is a requirement that charity Trustees must state their reserves policy in their annual report. As an exempt charity Cheshire Academies Trust must comply with these regulations.

Further guidance on reserves policies and reporting requirements is contained in the Education and Skills Funding Agency's (ESFAs) and the annual Academies Financial Handbook and Academies Accounts Direction.

Purpose

The Board of Cheshire Academies Trust believes that funding received in anyone year should be spent supporting the children on roll at that time. However, CAT Academies are expected to create reserves from their annual General Annual Grant (GAG) funding or other funding streams. The purpose of this is so they have the ability to quickly adjust to changing or unexpected financial circumstances such as large, unplanned expenditure, cyclical maintenance or other capital requirements.

It is considered good business practice to hold reserves and is a requirement of the CAT Board of Directors that their academies seek to do so. Although the Board does recognise that current levels of funding provide little opportunity to create a surplus. CAT academies hold reserves in order to provide sufficient working capital to cover delays between spending and receipt of grant income, to provide for unexpected emergencies where unforeseen costs are incurred and to build up funding for planned future capital projects.

Definitions - Fund Accounting

Unrestricted funds are resources which may be used towards meeting any of the charitable objectives of the Trust at the discretion of the Trustees (for example a surplus derived from an academy's catering or out of hours' operations). These funds may make up part of an Academy's revenue reserve.

Designated funds are unrestricted funds which have been earmarked for a particular future project or commitment. Although earmarked, designated funds remain part of the unrestricted funds of the charity because designation does not legally restrict Trustee's discretion in how to apply the restricted funds they have earmarked (for example a catering surplus earmarked for large kitchen equipment replacement). These funds may make up part of an Academy's revenue reserve.

Restricted Fixed Asset Funds are resources to be applied to specific capital projects (DFC, CIF or other grant funds).

Restricted General Funds are all other restricted funds received by the academy and include funding streams such as GAG, UIFSM PE/Sports Grant, Pupil Premium, SEN funding etc.

Contingency Reserves

The Board requires each Local Governing Body to deliver a contingency reserve fund but recognises the difficulty in achieving this without impacting of the quality of education in the academy and therefore expects the LGB to build to a reasonable level of reserve within the first three years of joining Cheshire Academies Trust.

When deciding on the level of reserve to build to LGBs must take into account:

- forecasts for levels of income for current and future years, taking into account the reliability of each source of income;
- forecasts for expenditure for current and future years based on current payroll and planned activity information;
- analysis of future needs, opportunities, commitments or risks.

The ESFA no longer sets limits on reserves built from the General Annual Grant (GAG) but will report to the DfE any Trusts where it has serious concerns about a long-term substantial surplus with no clear plans for its use.

The Board recommends that LGBs aim to deliver a contingency reserve fund which is minimally equivalent to one month's average payroll costs but recognise that levels will differ taking into account current and future circumstances. The Board advises the LGB to work with the Trust's Director of Operations to determine an appropriate level.

The LGB should ensure all reserves are reported at and reviewed termly at LGB meetings (or the committee to which financial responsibility is devolved). All expenditure from reserves must be approved by the LGB regardless of the level of expenditure in advance of it being spent.

The Director of Operations will review reserve levels annually and report to the Board autumn term meeting. The review will take into account the overall academy financial position, the nature of the income and expenditure streams, identify when levels have fallen significantly short of or above targets, recommend corrective action if necessary and ensure the policy remains relevant.

Centrally Held Reserves

The Board has resolved that a centrally held reserve fund should be created to support academies or the Trust in an unexpected financial emergency. The Trusts central funds are primarily created from the Universal Top-Slice to academies and therefore the Board acknowledges that large levels of reserves cannot be held centrally without impacting on academy budgets.

The Trust seeks to deliver an overall reserve equivalent to one month's net salary costs (of the central Trust payroll). During the budget setting process each summer term the Director of Operations will recommend a level of reserve to be held centrally.

Cheshire Learning and Teaching Alliance (CLTA) Reserves

The Board has resolved that a reserve fund for CLTA should be created to meet any costs incurred in the event that CLTA must be wound up. These include costs relating to redundancy, legal and administration. CLTA reserves are built from their unrestricted funds (trading income) only.

The Director of Operations will review reserve levels annually and report to the Board autumn term meeting. The review will take into account the overall financial position, the nature of the income and expenditure streams, identify when levels have fallen significantly short of or above targets, recommend corrective action if necessary and ensure the policy remains relevant.

Use of Reserves

If an academy wishes to make an application for use of the Trusts reserves they must email their request to the Director of Operations stating the amount being requested, what the funds will be used for and why the academy is unable to resource the expenditure from their GAG or other income streams. The academy should also state if they are requesting the funds as a 'loan', and if so the period over which it plans to make repayments to the Trust. If the academy plans to repay only part of the 'loan' or none at all this should also be stated in their applications along with the reasons why.

There is no restriction on the type of expenditure for which an academy might make an application to draw upon Trust reserves. Examples of applications which would be considered would be emergency premises work, where failure to undertake the works may result in school closure or risk to children and staff; unforeseen legal expenses not met by the Risk Pooling Arrangement; unexpected loss or destruction of resources or property not met by the Risk Pooling Arrangement; a short term loan to cover a cash flow issue.

The Director of Operations will advise the Chief Executive Officer (CEO) on the merits of the application. The CEO may reject the application on the basis the academy can fund the expenditure, it is unnecessary expenditure or the academy has deliberately spent other funds planning to rely on the Trusts reserves. It may be more suitable for the academy to make an application to the Education and Skills Funding Agency for an advance of their academy funding and the CEO may make this as a recommendation. If this recommendation is accepted the Director of Operations will support the academy in making their application. If the CEO rejects the application

the academy can apply to Trust for a review. In this case the academy must request this via email to the clerk to the CAT Board.

Members of the CAT Resources Committee (with no direct links to the academy), will review the academy's original application and the Director of Operations response. This can be reviewed in person at a prearranged time or completed via email facilitated by the Clerk to the Board. The majority decision of the Committee is final. There is no timeframe for a review to take place but the Board will seek to complete any requested reviews in good time.

If the Director of Operations is in support of the application, they will seek approval from the CEO via email on behalf of the academy. The CEO can impose conditions on any approved application as they see fit to support public funds.

The CEO will not have any decision making capacity in respect of use of reserves at Boughton Heath Academy. The Director of Operations will liaise with the CAT Resources Committee directly in respect of any application to use reserves at Boughton Heath Academy. The Committee's decision will be final.

The use of central Trust and CLTA reserves are solely at the direction of the Board