

DIOCESE OF

# ST ALBANS

MULTI-ACADEMY TRUST

## Trust Policy

# Reserves Policy

## 2023 - 2024

Policy type	Core Trust Policy
Reviewal timeframe	Bi-Annually
Author/Responsible Officer	Chief Operating Officer
Board to be ratified	Finance, Personnel and Operations Committee
Approved by	Sharon Carylton
Date of ratification	5 <sup>th</sup> December 2023
Date of next review	Autumn 2025

This policy is a mandatory policy for all DSA Multi Academy Trust Academies and must be implemented without any amendments.



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## **1. Introduction**

- 1.1 This policy establishes a framework within which decisions will be made regarding the level of reserves held by the Trust and the purposes for which they will be used and maintained.
- 1.2 Directors have ultimate responsibility for the appropriate use of Trust funds, including reserves.
- 1.3 The reserves policy:
  - assists in strategic planning by considering how new projects or activities will be funded
  - informs the budget and risk management process by identifying any uncertainty in future income streams and
  - enables investment decisions to be made at board level, where necessary utilising reserves across the trust

## **2. Definitions**

### **2.1 Restricted Revenue Reserves**

Mainly derived from government grant funding through the ESFA (Education and Skills Funding Agency) but may also include other grants such as those received from the Local Authority or donations provided for a specific purpose.

Restricted revenue reserves must be used in accordance with the conditions of the grants (in the case of ESFA funding through the General Allocation Grant [GAG], this is as detailed in the Trust's Funding agreement

<https://www.stalbansdmat.co.uk/governance/>). They are funds that must be spent on things the donator has specified or for the purpose for which it was given.

### **2.2 Unrestricted Revenue 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.

### **2.3 Free Reserves**

The sum of Restricted GAG Revenue Reserves and Unrestricted Revenue Reserves per the audited accounts of the prior year

### **2.4 Surplus Free Reserves**

Free Reserves in excess of the minimum level of reserves

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**2.5 FP&O**

Finance, People and Operations

**2.6 COO**

Chief Operating Officer

**2.7 CEo**

Chief Education Officer

**3. Pooled Reserves**

- 3.1 The Trust will pool its reserves, meaning that reserves will not be reported and tracked against an individual school, instead it will be reported and tracked as a cumulative single figure for the Trust.

**4. Minimum Level of Free Reserves**

- 4.1 The Trust will maintain a minimum level of Free Reserves at all times, for the following reasons:
- 4.1.1 To enable the Trust to respond to unforeseen and unavoidable costs at short notice
  - 4.1.2 To ensure the Trust is able to pay staff for at least one month in the event of unforeseen circumstances
  - 4.1.3 To ensure the Trust is a 'going concern' as required by the Academy Trust Handbook
- 4.2 The Trust has committed to maintaining a minimum level of Free Reserves equal to 5% of total Trust Income.
- 4.3 The minimum level of Free Reserves is subject to annual review by Directors.
- 4.4 Surplus Free Reserves, being Free Reserves above this minimum level, will be managed as outlined in this policy.
- 4.5 Restricted Revenue Reserves excluding GAG (i.e. not Free Reserves) will be restricted in use according to the conditions of the grant and for the sole use of the school to which it was granted.

**5. Accessing Free Reserves**

- 5.1 Surplus Free Reserves will be deployed in accordance with the following order of priority:
- 5.1.1 To address emergency health and safety and/or safeguarding risks in schools that cannot be serviced out of Devolved Formula Capital (DFC) or School Condition Allocation (SCA) capital funding (where applicable).
  - 5.1.2 To support an operating deficit recovery plan in a single school which has been approved by Directors to enhance teaching and learning, or as part of

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on-boarding a new school into the Trust that is in financial difficulty, where the ring-fenced reserves of that school are insufficient to cover the operating deficit.

5.1.3 To support the completion of a project budgeted (and approved) out of GAG revenue in the prior year which was only partially completed as at year end and where the surplus of the school at year end is higher than budgeted by at least the same amount

5.1.4 To fund the strategic objectives of the Trust which may include:

5.1.4.1 investment in central resources to ensure capacity for school improvement and growth

5.1.4.2 costs associated with strategic priority projects such as restructuring

5.1.5 To fund specific school improvement projects (revenue or capital) where there is an evidence-based rationale for the expected impact on pupil outcomes and it is not an ordinary operating activity (such as staffing).

5.1.6 Other

5.2 Use of reserves must be approved by the Reserves Panel via a business case (see Appendix 1 for a template).

5.3 As well as meeting the criteria above, use of reserves will only be approved by the Reserves Panel if the following is met:

5.3.1 There are surplus free reserves to cover the amounts requested

5.3.2 The business case demonstrates that all other sources of funding have been explored and exhausted including:

- a. In-Year and future anticipated revenue income
- b. Government revenue grants for which the Trust or schools are eligible to apply
- c. Government capital grants, such as DFC and SCA
- d. Non-Government revenue or capital grants such as National Lottery
- e. School generated income such as through fundraising or lettings

5.3.3 The school has set a budget that meets the target and is on track to finish the year on budget

5.4 Where there is insufficient Surplus Free Reserves, it is at the discretion of the FP&O Committee to access reserves below the minimum level.

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## **6 Reserves Panel**

- 6.1 To enable fair and equitable access to reserves the Trust will convene a Reserves Panel on a termly basis to consider school requests (via a business case) to access reserves. The Panel will be a sub-committee of the FP&O Committee and operate under a defined Terms of Reference.
- 6.2 The Reserves Panel will consist of seven members: two Directors, two Headteachers, the CEO, the COO and the CEo. The Directors and Headteachers will serve for at least one academic year and look to rotate. One Director will also be nominated as Chair of the Reserves Panel and should not already be a Chair of a sub-committee of the Board.
- 6.3 The Reserves Panel will consider business cases to access reserves using the template in Appendix 1. The business case should be submitted to the COO for a first review to ensure completeness and verify that the conditions for submission to the Reserves Panel have been met. Business cases must be submitted to the COO no later than two weeks prior to the termly Reserves Panel meeting.
- 6.4 The Reserves Panel will only have authority to approve business cases up to the amount of Surplus Free Reserves. Where the Reserves Panel sees a need to use reserves in excess of the Surplus Free Reserves, this must be recommended to the FP&O Committee for approval.
- 6.5 The Reserves Panel will also consider appeals against previous decisions.

## **7 Emergency use of Reserves**

- 7.1 In the event that reserves need to be accessed in an emergency, schools must notify the COO immediately for consideration. The COO will then arrange an emergency meeting with the Reserves panel for a timely decision. In extreme circumstances, the COO will seek approval from the Chair of the FP&O Committee via a phone call and follow up with written confirmation.

## **8 Appeals Process**

- 8.1 Where a business case to request the use of reserves is rejected, the rationale for the rejection will be provided to the school.
- 8.1.1 Where the reason is that it has not met the requirements under Section 5, the school will need to revise the business case accordingly and submit to the Reserves Panel at the next termly meeting.
- 8.1.2 Where the reason is insufficient Free Reserves available, if the need is determined to be high, the Reserves Panel will recommend the business case be considered by FP&O to dip below the minimum level of reserves.
- 8.1.3 In all other cases schools may appeal the decision. To do this, they must complete the Reserves Appeal template in Appendix 2, stating the rationale for the appeal, in accordance with this policy.

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8.2 Appeals will be heard at the next FP&O Committee

## **9 Generating Reserves**

9.1 Reserves that are deployed will need to be replenished in order that there continues to be funds available for future investment and/or emergencies in the Trust.

9.2 Schools within the Trust will be expected to set and maintain a budget that delivers an in-year surplus equal to or above the in-year surplus target for that year. This in-year surplus will act as a contingency for anything unforeseen that may arise within the year. Any remaining in-year surplus at year end will transfer to reserves.

9.3 The FP&O Committee will set an in-year surplus target annually in the Spring term, ahead of the budget setting process. The target will be in the form of a percentage of total income.

9.4 Should a school not be able to achieve an in-year surplus target, it will be required to submit a business case to request approval from the FP&O Committee to deliver a lower in-year surplus or to fund an in-year deficit from reserves. This will need to be supported by an operating deficit recovery plan.

## **10 Budget Management**

10.1 It is expected that all schools take a robust approach to budget management to ensure access to reserves is fair and not used to address otherwise avoidable costs as a result of poor financial management. Schools will be supported to set and manage their budgets through tools, training, timely and accurate reporting, and expert advice.

10.2 Schools will be required to set aside funds each year towards ongoing capital improvements to include ICT upgrades, refurbishing the learning environment and maintaining the premises. Each school should have a three-year spending plan, which will be built into budgets and which will be developed in conjunction with the Estates Manager, in the case of maintaining the estate and the outsourced ICT partner, Partnership Education, in the case of ICT.

## **11 Schools joining the Trust**

11.1 Reserves brought into the Trust by a joining school can be applied to be ring-fenced to the school for the following reasons:

11.1.1 To address urgent safeguarding and health and safety issues at the time of conversion as determined by a condition survey.

11.1.2 Any other urgent requirements determined by due diligence that would otherwise prevent the school from being approved to join the Trust

11.2 Schools that are approved to join and have a financial deficit will be subject to a specific recovery plan agreed with the Board of Directors and the ESFA prior to entry. This operating deficit recovery plan is captured under priority 2 of Accessing Reserves.

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## **12 Reporting on the Use of Reserves**

12.1 The allocation of Surplus Free Reserves to business cases as approved by the Reserves Panel and/or the FP&O Committee will be communicated to all schools via the COO following each meeting.

## **13 Reserves Reporting in the Annual Financial Statements**

13.1 The reserves policy is disclosed in the Trust's annual financial statements and will include the following information:

- why reserves are held
- what minimum level of reserves is considered appropriate for the Trust
- what the actual level of reserves are at the year end
- how the Trust is going to achieve the desired level of reserves

## **14 Monitoring and Evaluation of the Policy**

14.1 The board will review the opportunities and risks for the Trust throughout the year in order to assess the required level of resources needed to meet anticipated and unanticipated needs in the short and long term.

14.2 The COO will carry out a review of this policy every year or sooner as a result of changes in legislation to ensure that any new legislation or guidance is reflected in this policy.





## Appendix 1: Template DSAMAT Business Case: Request for Reserves

School Name:

Prepared by		Date	
Approved by (Headteacher)		Date	

**Purpose:** To request approval from the Reserves Panel to access Trust reserves

Amount Requested £	
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### Project

*Please describe the project that is requested to be funded from reserves, including when the project will take place and the duration.*

### Impact

*Please describe the impact of this project, how the impact will be measured and how it aligns with the school's improvement plan.*



## Justification

*What is the level of priority of this request per Section 5.1 of the Reserves Policy (please highlight)?*

1. Emergency Health & Safety/Safeguarding
2. Operating Deficit Recovery Plan
3. Incomplete Prior-Year Approved Budgeted Project
4. Meet Trust Strategic Objectives
5. School Improvement Project
6. Other

*Please comment on how the school has exhausted all other avenues of funding per section 5.3.2 of the Reserves Policy*

*Please confirm how the school has demonstrated strong financial management per section 5.3.3 of the Reserves Policy*

## Costs

*Please detail the breakdown of the project cost and the procurement process followed per the SOD (i.e. quotes/tender). Please attach quotes.*

<b>Authorised by (COO)</b>		<b>Date</b>	
<b>Authorised by (Reserves Panel)</b>		<b>Date</b>	



## Appendix 2: Template DSAMAT Reserves Bid Appeal

School Name:

Prepared by		Date	
Approved by (Headteacher)		Date	

**Purpose:** To appeal the decision of the Reserves Panel regarding a Reserves Business Case

Amount Requested £	
Brief Description	
Date Declined	

### Rationale

*Please describe the rationale for the decision by the Reserves Panel.*

### Appeal

*Please describe why this decision is being appealed. In particular include any additional information to the original business case that could change the outcome per Section 8 of the Reserves Policy.*

Authorised by (COO)		Date	
Authorised by (Reserves Panel)		Date	

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