



The Queen Katherine School Multi Academy Trust

RESERVES POLICY – CAPITAL & REVENUE

This policy does not form part of any employee's contract of employment and we may amend it from time to time.

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| Committee: | MAT Board |
| Date of adoption: | October 2017 |
| Date of next review: | Autumn Term 2021 |

Document Control Sheet

The information in the table below details earlier versions of this document with a brief description of each review and how to distinguish amendments made since the previous version date (if any). This policy will be reviewed annually, or as required by internal or external legislature changes.

| Version Number | Version Description | Date of Review |
|-----------------------|--------------------------------------|-----------------------|
| 1 | Original – approved by the MAT Board | October 2017 |
| 2 | Revision and Trust Board review | 15/10/2020 |
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Reserves Policy

1. INTRODUCTION

The purpose of the reserves policy is to ensure the stability of the each school's operations within the Trust, to protect each establishment so that there is the ability to adjust quickly to financial circumstances, such as large unplanned expenditure, strategic long-term aims and development, cyclical maintenance and working capital requirements.

The Trustees of The Queen Katherine Multi Academy Trust recognise that the Reserves Policy must address the management of financial risk across the Trust, whilst being mindful that existing pupils are not disadvantaged through the retention of excessive reserves.

2. RESPONSIBILITIES

The Trustees of The Queen Katherine School Multi Academy Trust are responsible for determining the content of the policy.

The Board of Trustees delegates responsibility for reserves related approvals to the Finance Committee in line with the Financial Authorities in the Scheme of Delegation.

The Chief Executive Officer is responsible for the implementation of the policy in conjunction with the Chief Financial Officer and Academy Headteachers.

3. POLICY AIMS

The policy aims are as follows:

- To ensure a consistent reserves policy across the Trust
- To identify a target level of reserves required across each Trust academy and the central trust account
- To explain the reason for holding reserve balances
- To ensure internal control arrangements within the Trust are operating effectively and assure proper stewardship over public funds
- To ensure that Trustees receive oversight of the reserves position of the Trust and challenge this position as required
- To ensure that the Trust adopts a structure of prudent financial management and maintains sufficient reserves to meet the future needs of the Trust and its academies
- To inform the budget process by considering whether reserves need to be used during the financial year to address an in-year deficit budget
- To assist in strategic planning by considering how new projects or activities will be funded

4. SCOPE OF THE POLICY

This policy has been formulated in accordance with the Academies Financial Handbook, published by the Education & Skills Funding Agency.

As documented in the handbook:

Financial Planning

2.17 The board of trustees **must** notify ESFA within 14 calendar days of its meeting if proposing to set a deficit revenue budget for the current financial year, which it cannot address after taking into account unspent funds from previous years, as this would be non-compliant with the funding agreement and this handbook.

Managing surplus GAG

5.28 ESFA previously set limits on GAG carried forward by trusts from year-to-year. These limits have now been removed for eligible trusts (see section 5.59). ESFA will report to DfE any trusts where it has serious concerns about a long-term substantial surplus with no clear plans for its use.

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Pooling of GAG by trusts with multiple academies

5.29 A trust with multiple academies can amalgamate GAG for its academies to form one central fund. This can be used to meet the running costs at any constituent academy within the trust. In accordance with its funding agreement a trust must not pool PFI funding.

5.30 The trust must consider the funding needs and allocations of each constituent academy and must have an appeals mechanism. If a constituent academy's principal feels the academy has been unfairly treated, they should appeal to the trust. If the grievance is not resolved, they can appeal to the Secretary of State, via ESFA. Where ESFA receives an appeal, it will review the process that the trust has followed, including whether the trust has considered the funding needs of the constituent academy, and whether the trust's internal appeals process has been applied. ESFA will provide the constituent academy and the trust with the opportunity to provide any evidence they feel is relevant to the case. ESFA's decision will be final and can result in the pooling provisions being dis-applied.

5. TARGET LEVEL OF RESERVES

It is anticipated that all Trust Academies, will hold a prudent level of reserves. The Trust recognises the ideal level of reserves is circa 8%, representing 1 month of annual expenditure, but recommends a level of free reserves for each academy school in the Trust between 2.5% and 10% of their total income. It is expected that any reserves outside the recommended levels must be approved by their local governing body in the first instance, and endorsed by the MAT Board.

When reserves are lower than the 2.5% target set for an individual school, the requirement is for that school to continue building up free reserves over time until they reach the target set.

The target level of reserves should ensure that sufficient funds are held to enable the Trust to manage, in the short term, any financial risk that may result from the following:

- Short term fluctuations in income e.g. reduced pupil numbers
- Funding of unforeseen expenditure e.g. urgent maintenance work
- Funding of material capital projects e.g. building improvement works
- Delivering a robust programme for renewal and replacement of academy assets e.g. ICT hardware

- Funding of staffing costs that cannot reasonably be reduced within the required timeframe, up to the point that procedures can be implemented to reduce costs moving forward
- Funding of redundancy costs/severance payments to facilitate cost reductions moving forward
- Funding of staffing costs to support additional resources in teaching and learning as considered necessary by the Trust

6. INCREASING THE RESERVES BALANCE

It is expected that all Academies within the Trust will set a balanced budget for the year. Any forecast in-year surplus will be reviewed by the Board of Trustees, Chief Executive Officer and Chief Financial Officer for the Trust to ensure that existing students are not disadvantaged through the retention of excessive reserves.

7. EXPENDITURE AGAINST THE RESERVES BALANCE

7.1 Identification of appropriate use of reserves fund

Each schools local governing body and Senior Leadership Team will identify the need for access to reserve funds and confirm that the use is consistent with the purpose as described in this policy. This step requires analysis of the reason for any shortfall, the availability of any other sources of funds before using reserves and evaluation of the time period that the funds will be required and replenished.

7.2 Authorisation of use of reserves

The Local Governing Body can submit a request for the use of reserves for specific projects to the Trust Board for consideration. Approval should be noted in the minutes.

7.3 Reporting & Monitoring

The MAT Board are responsible for ensuring that the funds are maintained and are used only as described in this policy. Following approval for the use of the funds, the school will maintain a record of expenditure. The MAT Management Team will regularly monitor the progress of the reserves and report to the MAT Board.

7.4 Banking Arrangements

Each school will hold reserves for restricted funds (excluding unused General Annual Grant (GAG)) in their own bank account, e.g. pupil premium, Year 7 catch up, PE & Sports Grants etc. All other reserves which are not required for immediate use (essentially unrestricted funds and unused GAG) will be moved into a high interest deposit account attached to each schools bank account. Any interest gained will remain with the individual school.

8. POOLING OF RESERVES

The Trustees maintain that the reserves balance of each Academy will remain with the relevant Academy and will not be pooled by the Trust.

Any reserves that are accumulated in the Trust will be spent at the discretion of the Trustees.

9. LOAN AGAINST TRUST RESERVES

- It is noted that the gap between target and actual level of reserves varies across academies within the Trust

- To enable academies and the central trust account to access additional funds, over and above the level of reserves held within the academy or the central trust account, an application can be made by an academy, or the central trust, to take out a loan against the Trust reserves
- All applications must be presented to the Chief Financial Officer, Chief Executive Officer and Board of Trustees, who will then consider the application for approval on behalf of the Trust
- Approved loans against Trust reserves will be funded on a proportionate basis across the Trust. The Chief Financial Officer will inform the academy headteacher and local governing body about the monthly repayment schedule
- Any instances of non-payment will be referred to the Board of Trustees and appropriate and agreed corrective action will be agreed

10. INVESTMENT STRATEGY

The MAT Board are firmly committed to ensuring that all funds under their control are administered under a risk adverse investment strategy. As such the Board do not consider the investment of surplus funds as a primary activity, but rather a requirement for the effective management of the various funds entrusted to the MAT Board.

Due to the nature of the funding cycle, each school within the trust may at times hold large cash balances which may not be required for immediate use. Any reserves which are not required immediately will be moved in to a high interest deposit account ranging from zero up to a maximum 1 year notice period arrangement with our current banking provider, Lloyds.

Reporting will be included in each schools monthly management accounts.