

Reserves Policy

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Elliot Foundation Academies Trust Values

1. Put children first

- a. We trust and value your professionalism
- b. We share the responsibility for the learning and welfare of all of our children
- c. Our purpose is to improve the lives of children

2. Be safe

- a. Don't assume that someone else will do it
- b. Look after yourself, your colleagues and all children
- c. We are all responsible for each other's safety and well being
- d. Discuss any concerns with an appropriate member of staff

3. Be kind & respect all

- a. People are allowed to be different as are you
- b. Kindness creates the positive environment we all need to flourish
- c. This kindness should extend to ourselves as well as to others

4. Be open

- a. If you can see a better way, suggest it
- b. If someone else suggests a better way to you, consider it
- c. We exist to nurture innovators and support those who take informed risks in the interests of children

5. Forgive

- a. We all make mistakes
- b. Admit them, learn from them and move on

6. Make a difference

- a. Making the world a better place starts with you
- b. Model the behaviour that you would like to see from others

Related policies and documents

- Procurement policy
- Expenses Policy
- Financial Planning Policy

Definitions

- Where the word 'Trust' is used in this document it refers to The Elliot Foundation Academies Trust.
- Where the term 'Finance Committee' is used in this document it refers to the Finance sub-committee of The Elliot Foundation Academies Trust board

1. Policy statement and objectives

- 1.1. This policy sets out the expectations of the Elliot Foundation Academies Trust relating to the accumulation of reserves by individual academies. Every academy needs to hold, or be working towards an appropriate level of reserves to cope with unexpected and unbudgeted financial demands.

2. Principles

- 2.1. This policy is approved by the Finance Committee on behalf of the Trust Board. It applies to all employees.
- 2.2. As an exempt charity TEFAT is bound by company and charity law. Trustees are required to set out a reserves policy that ensures the viability of the Trust but also meets its charitable objects.
- 2.3. What this means in practice is that Trustees must decide how much money to set aside; neither too much which risks harming the education provided to our pupils or too little which makes the Trust vulnerable to unexpected costs or drops in income
- 2.4. The legal position on reserves is that all individual academy reserves are pooled and controlled by the Trust as it is the legal entity and responsible body. The DfE/ESFA now expects Trusts to meet shortfalls in any of their academies from these reserves regardless of their origin.
- 2.5. Despite this the DfE/ESFA also expects Trusts to account and report on an individual academy basis.
- 2.6. To deal with this inherent contradiction the TEFAT approach is to treat the reserves generated by each academy as remaining with that academy wherever possible
- 2.7. Reserves are consolidated where academies operate in a federation. Funds can be moved between academies in a federation to show a balanced position across the federation as a whole, rather than some academies with a surplus and some with a deficit.
- 2.8. As the discretion of the Finance Committee pooled reserves may be drawn on by the Trust for a short term emergency need, but the intention would be that the originating academy would be repaid when the financial situation allows.

3. DfE limits and Monitoring of Restrictions

- 3.1. The DfE no longer places limits on the level of carry forward of General Annual Grant (GAG).
- 3.2. If any income is restricted to a particular area of expenditure then the academy must put procedures in place to monitor its use and ensure compliance with any donor restrictions. This is usually done through the use of cost centres.

4. Types of reserves

4.1. Each academy may have up to six different reserves:

- **GAG restricted reserves** represent unspent GAG funds. They are restricted only because they are given by the department for educational provision in the school. The restrictions are no more onerous than the limitations of the funding agreement.
- **Capital cash reserves** represent the as yet unused amounts of any capital grant.
- **Capital restricted reserves** represent the value of all fixed assets. These are therefore not cash reserves but represent the depreciated value of the building and its capitalised contents.
- **Pension reserves** represent the academy's share of assets in relation to the local government pension scheme. For most academies this will be a negative reserve as the schemes are largely in deficit. This figure, although worked out by the local authority's actuaries is a notional figure, and should not be included when assessing the level of free reserves, as the debt is unlikely to crystallise, and is underwritten by the DfE.
- **Other restricted reserves** represent unspent donations from other sources that have to be spent in line with the donor's explicit wishes.
- **Unrestricted reserves** are the unspent amounts from all other sources. These can include donations where the donor has not stipulated how they should be spent plus any other monies coming into the academy. As unrestricted the academy should spend these funds last in order to maximise flexibility in relation to unspent balances.

5. Reserve targets

- 5.1. Every academy needs to consider what an appropriate level of reserves should be to minimise the risk of entering a deficit position following unforeseen circumstances. That target should be agreed with TEFAT head office, and worked towards at the earliest opportunity, without jeopardising current outcomes. This target may be anywhere between 5 and 10% of recurrent funding, depending on an assessment of risks. If there is a particular short to medium term need, such as a new unfunded capital project then the figure may well be higher whilst that project lasts.
- 5.2. It is not anticipated that the annual budget should show a large surplus of funds over expenditure. It is not deemed responsible to try and build up significant reserves unless there is a particular project that requires savings to fund over a number of years. Whilst prudence dictates that a reserve is required, funding has been granted for the provision of education to existing pupils, and it would be inappropriate to hide away too much for future years if that adversely impacts on current cohorts.
- 5.3. Procurement rules still apply and a year end spend up should also be avoided as this is rarely done in a way that maximises value for money.