

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 management of Trust reserves. Every academy needs to play its part in aiding the Trust to maintain an appropriate level of reserves by living within their agreed budget and not spending up unused budgets unnecessarily.

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 nor 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 now expects Trusts to meet shortfalls in any of their academies from these reserves regardless of their origin.
- 2.5. Where this approach is made explicit in Trust policies, then Trusts do not need to account for reserves in individual academies in their accounts or other DfE returns.
- 2.6. The TEFAT approach is to treat the reserves generated by each academy as belonging to the Trust in line with the legal reality. Any request to access reserves must be approved by the Finance Committee.
- 2.7. Where schools operate in a federation then the combined position of all the schools will be the position looked at when assessing the budget position. Therefore it is acceptable for a two school federation to have one school in deficit if it is at least offset by a surplus in the other school. 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 an underlying surplus and some with an underlying deficit.

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. The Trust may have up to seven 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. Where the valuation is positive, the level of uncertainty over the ability to take that benefit means that a zero valuation is taken instead.
- **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.
- **Designated reserves** are those where agreement has been reached with the Finance Committee to designate unspent reserves for a particular project.

5. Reserve targets

- 5.1. The Trust's target for reserves is between 5% and 10% of annual revenue income. Every academy needs to play its part in achieving that target. If there is a particular short to medium term need, such as a new unfunded capital project then the figure may well be higher when looked at at academy level whilst that project lasts.
- 5.2. It is not anticipated that the annual budget for any individual school should show a large surplus of funds over expenditure. It is not deemed responsible to try and build up a significant share of 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. Schools must act in a collegiate manner, and not spend unnecessarily just to avoid the perceived risk that reserves will be absorbed by the rest of the Trust.