

All Saints Schools Trust



ASST Reserves Policy 2019

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Date of next review:	Dec 2020	<i>Signed:</i>	<i>Signed:</i>
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1. Purpose

The purpose of the Reserves Policy for All Saints Schools Trust (ASST) is to ensure the stability of the academies' operations. ASST is to maintain and develop systems of financial control which conform to the requirements both of propriety and good financial management. It is essential that these systems operate properly to meet the requirements of the Trust's Funding Agreement with the Department for Education (DfE). Maintaining an appropriate level of financial reserves is considered essential in protecting the schools from financial risk.

The policy covers all aspects of the Trust's financial reserves.

This policy relates to all the Trust's academies. Adherence to the principles and procedures contained in this policy is mandatory for all staff.

This policy is designed to be consistent with:

- Companies Act 2006;
- Accounting standards;
- Charities SORP 2015;
- Academies Accounts Direction (ESFA)

2. Regulatory Requirements

In accordance with Charities SORP FRS102, academy trusts are expected to comply with the following 'reserves' regulatory requirements;

'The charity must explain any policy it has for holding reserves and state the amounts of those reserves and why they are held. If the trustees have decided that holding reserves are unnecessary, the report must disclose this fact and provide the reasons behind this decision.'

The Academy Trust must comply with further detailed regulatory requirements as listed in the Charities SORP FRS102 for reporting and compliance.

The Academies Financial Handbook 2015 to 2019 states 'academy trust should use their allocated GAG Funding for the full benefit of their current pupils'.

The Charities Commission published guidance on charity reserves (CC19) states 'Trustees who act in breach of their legal duties can be held responsible for consequences that flow from such a breach and for any loss that the charity incurs thus.'

In real terms this means the trustees must;

- Act in the charity's best interests.
- Manage charity resources responsibly.
- Act with reasonable care and skill.
- Implement appropriate financial controls.
- Manage risk.

3. Definitions and Goals

In general, it is considered prudent to maintain a level of useable reserves sufficient to cover unexpected and unplanned events so that ASST's primary objective is preserved. At the same time the Trustees may wish to ensure that it uses its funding to benefit the students in its care which implies an imperative to consider actively the use of reserves to enhance educational provision.

In deciding the level of reserves, trustees will take into account the following:

- Uncertainty, turbulence or expected reduction in funding arrangements
- The need for any large project spend to include facilities development, ICT investment or building condition needs
- Fluctuations in student numbers
- Cash flow issues due to delays in funding
- The academy's annual budget
- 30 days' working capital to include one month's salary bill
- A forecasted liability on Local Government Pension Scheme (LGPS)

The investment of excess reserves is a consideration with the proviso that the reserves are readily available as cash as and when the trust require access to the funds. The investment could raise a financial return for the trust, however the risks associated must be analysed. Charitable trusts have a regulatory requirement to set out their investment policy alongside the objectives and performance in the trustees' annual report. Refer to the separate ASST Investment Policy.

4. Restricted Revenue Reserves

Restricted reserves are represented by the main funding for ASST which is the General Annual Grant and other funds that are received for a specific project or purpose. These funds are restricted for the use according to the funding agreements of donors' instructions.

Revenue reserve expenditure will only occur in line with the annual budget or the academy trusts medium term development plan. The revenue reserve value is held to meet the cyclical long term operational needs of the trust and in case of unforeseen circumstances. Where unforeseen circumstances occur, revenue reserve expenditure is to be reviewed and approved by the Board of Trustees.

A minimum rolling contingency revenue reserve is to be maintained at a minimum of 5% of the annual GAG income although this is to be reviewed by the Trustees based on the current position of ASST in respect of cyclical needs. This revenue reserve can be met from limited surplus monies from the annual GAG funding or other trust income.

The Trustees will pool 5.2% from each school's GAG funding (pupil led funding only to exclude pupil premium and other specific use DfE grants) to fund central support services that the schools would otherwise have to procure individually.

5. Unrestricted Revenue Reserves

Unrestricted reserves are made up of ASST activities for generating funds, investment income and other donations which are expendable at the discretion of the local governors in furtherance to achieve the objectives of each school. These funds will not be pooled by ASST.

6. Capital Reserves

ASST will ensure appropriate levels of capital reserves are held within each academy school to fund future capital expenditure. Each school is to prepare a Capital Reserve Schedule to be calculated on the forecasted value of asset replacement and improvement.

7. Reporting and Monitoring

The Trustees are responsible for ensuring that the level and use of reserves is monitored. They will do this for the receipt of financial reports prepared by the Chief Financial Officer (CFO). The CFO will maintain a medium term financial forecast which will show how end of year reported reserves will be utilised.

8. Basis of Reserves Calculation and Disclosure

Exclusions to the calculation of reserves include:

- Tangible Fixed Assets such as Land, Buildings.
- Current Assets.
- Monies designated for essential future expenditure and investments.
- Investments to further the purposes of the charity.
- An asset balance on Defined Pension Benefit Schemes (LGPS).

ASST prepares accrual accounts and will include the reserves policy in the trustees' annual reports. The disclosure will include:

- A reserves statement.
- The level of reserves and explanation.
- Designated funds, purpose and timing

In the event of excess reserves held, full disclosure will be made in the trustees' annual report to identify the basis in which the reserves will be used as part of strategic planning. Also, where significant changes occur in the balance of reserves during a financial period, a statement on reserves will be disclosed and published in the annual report.

9. Appeals Process

If a local governing body feels that it has been unfairly treated in relation to the contribution that is being made to central support services, they should first appeal in writing to the Chief Executive Officer (CEO), clearly stating their reasons as to why they feel their level of contribution is not appropriate with a supporting 3 year financial forecast. The appeal will be considered by selected members of the ASST Board and a written response provided to the Local Governing Body within 30 calendar days. If this does not resolve the grievance, then the Local Governing Body may appeal to the Secretary of State for Education, whose decision will be final and who may disapply the provision for the pooling of resources.

10. Review of Policy

The value of revenue reserves held should be reviewed as part of the monthly budget monitoring and cash flow forecast process as per the ASST Finance Policy.

The capital reserves will be monitored quarterly and amended as appropriate.

The Reserves Policy will be reviewed annually or sooner if warranted by internal or external events or changes. The ASST Board must approve all changes.