

## Reserves Policy

### 1.0 INTRODUCTION

- 1.1 Where reserves are held, it is a requirement of the charity accounting regulations that charity Trustees must state their reserves policy in their annual report. Further details may be found in Accounting and Reporting by Charities: Statement of Recommended Practice 2005 (Updated 2008); commonly referred to as the Charity SORP. The Consortium Trust, as an exempt charity, must comply with these regulations.
- 1.2 Guidance on reserve policies and their reporting requirements is contained in the Education and Skills Funding Agency's (ESFAs) annual Academies Accounts Direction.

### 2.0 PURPOSE

- 2.1 The purpose of the reserves policy for the Trust is to ensure the stability of the Trust and school's operations, to protect it so that it has the ability to adjust quickly to financial circumstances, such as large unplanned expenditure, cyclical maintenance and working capital requirements.
- 2.2 Whilst it is not mandatory to hold reserves, it is generally considered good business practice to do so. The Trust holds reserves in order to provide sufficient working capital to cover delays between spending and receipt of grant income, to provide a cushion to deal with unexpected emergencies such as urgent maintenance or long term sickness where unforeseen costs are incurred and to build up funding for planned future capital projects.

### 3.0 DEFINITIONS AND GOALS

#### 3.1 Fund Accounting:

Unrestricted funds represent those resources which may be used towards meeting any of the charitable objects of the academy trust at the discretion of the Trustees.

- 3.2 Designated funds are part of unrestricted funds that have been set aside to be used for a particular future project or commitment. Although earmarked, a designated fund remains part of the unrestricted funds of the charity. This is because the designation does not legally restrict the Trustees' discretion in how to apply the unrestricted funds that they have earmarked.

- 3.3 Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by funders where the asset acquired or created is held for a specific purpose.

- 3.4 Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder/donor and include grants from the ESFA.

#### 3.5 Free Reserves:

The minimum target for these reserves should be equal to one month's average payroll costs.

- 3.6 The Trustees have determined that the appropriate level of free reserves should be the lower of the equivalent to one month's average payroll costs, currently £1,237,287 April 2024 for the Trust or 80% of the monthly GAG figure, currently £761,832 in 2023/24. The reason for this is to provide sufficient working capital to cover delays between spending and receipts of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance. Reserves are GAG

pooled in line with DfE recommendations and are monitored by the Chief Financial Officer as part of the monthly budget monitoring.

- 3.7 The Trustees will review the reserve levels annually. The review will encompass the nature of the income and expenditure streams, the need to match income with commitments and the nature of reserves.
- 3.8 All reserves are reported and reviewed regularly at management meetings and expenditure from reserves approved by the Trustees.

#### **4.0 USE OF RESERVES**

##### **4.1 Identification of appropriate use of reserve funds:**

The Trustees and Executive Leadership Team will identify the need for access to reserve funds and confirm that the use is consistent with the purpose of the reserve 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.

##### **4.2 Authorisation of use of reserves:**

Authorisation to use reserves of any kind will be made by the Trustees at the Finance and Resources Committee, at the next available meeting then approval should be noted in the minutes.

##### **4.3 Reporting and monitoring:**

The Trustees are responsible for ensuring that the funds are maintained and are used only as described in this policy. Upon approval for the use of the funds, the school will maintain a record of the use of the funds. The Finance and Resources Committee should regularly monitor the progress of the reserves.

##### **4.4 Banking arrangements:**

Schools will hold reserves for restricted funds in their own accounting line within the Trust's bank account e.g. unused Pupil Premium, PE & Sports Grant etc.

## Document Control

### Changes History

Version	Date	Amended By	Details of Change
V2	10/05/17	Principal/CEO	Annual review the reserve amount, to update the banking arrangements within the Trust
V3	10/07/19	Lisa Jones – Senior Audit Officer	Update to the monthly salary amount to be held in reserve.
V4	07/05/2020	Lisa Jones – Chief Financial Officer	Update to the monthly salary amount to be held in reserve.
V5	08/06/2021	Lisa Jones – Chief Financial Officer	Update to the monthly salary amount to be held in reserve and 80% of monthly GAG figure added. Added that Free reserves should be the lower of the above two figures
V6	10/05/2022	Lisa Jones – Director of Finance and Resources	Update to the monthly salary amount to be held in reserve and 80% of monthly GAG figure added. Added that reserves are GAG pooled in line with DfE recommendations
V7	25/04/2023	Lisa Jones – Director of Finance and Resources	Update to the monthly salary amount to be held in reserve and 80% of monthly GAG figure added.
V8	13/05/2024	Lisa Jones – Director of Finance and Resources	Update to the monthly salary amount to be held in reserve and 80% of monthly GAG figure added.

### Approval

Name	Job Title	Signed	Date
Andrew Aalders-Dunthorne	Principal/CEO	Electronic signature	19/01/2017
Dawn Carman-Jones	On behalf of the Trust Board	Electronic signature	19/01/2017
Andrew Aalders-Dunthorne	Principal/CEO	Electronic signature	30/06/2022
Dawn Carman-Jones	On behalf of the Trust Board	Electronic signature	30/06/2022
Andrew Aalders-Dunthorne	Principal/CEO	Electronic signature	29/06/2023
Dawn Carman-Jones	On behalf of the Trust Board	Electronic signature	29/06/2023
Andrew Aalders-Dunthorne	CEO	Electronic signature	11/07/2024
Steve Martin	On behalf of the Trust Board	Electronic signature	11/07/2024

This policy will be reviewed annually by Director of Finance & Resources or as required by changes in legislation.

At every review, this policy will be approved by Finance & Resources Trust Board Committee.

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