

SOKE EDUCATION TRUST

Reserves Policy

Signed via Governor Hub

Approved Date	October 2023
Review Date	October 2027



Reserves Policy

Introduction

Where reserves are held, it is a requirement of the charity accounting regulations that charity directors/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; commonly referred to as the Charity SORP. Academy schools, as exempt charities, must comply with these regulations. Reserves will be held to ensure that the entity will remain financially sustainable for the foreseeable future, in line with the going concern concept.

Legislation and Guidance

Guidance on reserve policies and their reporting requirements are contained in the Education Skills Funding Agency's (ESFA's) annual Academies Accounts Direction.

Reserves Strategy

The Directors expect to spend the GAG monies received on the pupils in the school at the current time and retain a modest reserve to do so.

The Directors review the reserve levels of the Trust annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves.

Subject to the exceptions detailed in the strategy below, the Directors will generally look to match income with expenditure in the current year (will only carry forward reserves that it considers necessary and will have a clear plan as to how any reserves will be used to benefit the pupils.

The Directors have determined that the appropriate level of free reserves is 8% of GAG funding. GAG income accounts for a significant proportion of School and Trust's free reserves. The reason for choosing free reserves, and a percentage linked with GAG funding, is that this funding source is predictable in value and paid in 12 monthly installments. Free reserves are considered the most appropriate measurement as it is only this fund that the Trust has direct use of, as it deems appropriate to deliver its charitable objectives.

The Trust will monitor the level of reserves to ensure that they are maintained at the required level. In the event that they are partly used the Trust will strive to rebuild free reserves up to the level needed.

The strategy is:

- Regularly monitor cash flow and current account balances to ensure immediate financial commitments can be met (payroll and payments runs) and that the current accounts have adequate balances to meet forthcoming commitments.
- The Trust will not allow its current account balances to go overdrawn.

Where Trust reserves exceed 8% of GAG income the Trust will evaluate both the Central and School/Academy surplus balances and consider:

- where appropriate, and as part of the annual budget setting process, identifying and making available an appropriate level of agreed overspend so that the School/Trust can deliver its strategic objectives and/or school improvement priorities.
- priorities based on short term emergency situations such as staffing and premises related which the

Local Governance Committee of a School present to the Board:

- medium term (up to 2 years) capital projects identified by the School/Academy Local Governing Body, which have been robustly planned with reference to the Trust's Financial Regulation Policy;
- Direction from the Board of Trustees to a School/Academy Local Governing Body in relation to a specific project.
- Investment of these funds as per the Trust's investment policy.

Periodically (at least annually) review interest rates, compare with other investment opportunities and consider alternative secure investments.

The Trust's current policy is to only invest funds in risk free and short-term (1 to 3 months) accessible deposit accounts.

Links with other policies

Investments

Financial Regulations

Appendix 1

USE OF RESERVES

REQUEST FROM SCHOOL AND LOCAL GOVERNING BOARD - please complete and submit, with supporting documentation where appropriate, to CFO.

ACADEMY NAME		
DATE OF APPLICATION		Tick if Emergency funding <input type="checkbox"/>

CURRENT FINANCIAL POSITION	
Does the Academy have a current In Year Balanced Budget?	
What % of current year total income relates to staffing costs?	
Does the Academy have a balanced budget forecast for the next 3 years?	
What % of year 2 total income relates to staffing costs?	
What % of year 3 total income relates to staffing costs?	
What was the last published closing figure of Academy accounts (total carry forward reserves figure at most recent year end)?	
Of this what was the figure carried forward for the most recent year?	
What % of total budget was this?	
What is the predicted outturn figure for the current year?	
Will all DFC and other grants such as PP funds be spent in year? If not what are c/f likely to be?	
What is the purpose for this request? Eg Premises, staffing, etc.	

Is it to support ongoing costs, a growth bid or emergency funding?	
Are other grants or loans being sought to support this project? CIF grant, Salix loan etc?	
Of the total reserves what amount is requested for this project?	
What % of total reserves if this?	
Where appropriate can you confirm procurement procedures, including appropriate quotes dependent on scale of project, have been followed in accordance with Trust Financial Regulations? Please attach quotes and evidenced consideration from LGB meetings.	

Please use the box below to outline the purpose/background and benefits of the project to the school and its' children.

Please attach supplementary documentation as appropriate to support business case.

Date agreed by LGB	
Date of Trustee meeting for consideration	
Anticipated date of outcome notification	
Date outcome advised to LGB/Head/SBM	

Signed

Headteacher

Signed

Chair of LGB

Appendix B

School Application for Use of Reserves

In accordance with the Academies Trust Handbook, the Trust provides a mechanism for schools to bid for access to Pooled Reserves. Each year the Trust shall identify an allocation of Pooled Reserves that it may make available for schools to bid into. The Trust will assess bids from schools against the scoring matrix identified below.

Applications shall be weighted in line with the proportion of Pooled Reserves that a school contributes to the overall pot. The Trust's approach to fairness is addressed by operating a weighting system for any applications. This means schools that contribute a greater amount of reserves to the pool will, all other things being equal, have an increased opportunity to receive funding under this arrangement. These calculations apply to the weighting of applications only.

Example:

At 01/09/20XX schools A, B and C collectively contributed £90,000 to the Pooled Reserves

School A contributed £10,000. Therefore, School A has contributed 11.1% of the overall reserves.

When pooled reserves are spent by the Trust, or more is accumulated, this original percentage shall continue to apply.

New schools joining the Trust

If a new school joins the Trust the principle shall be that the Trust undertakes a re-calculation of Pooled Reserves. The Trust shall elect a date when it deems a joining school to have integrated into the Trust's financial processes. At this date, the Trust will recalculate school proportions of Pooled Reserves

Example

School D joins the Trust. The Trust agrees that school D has aligned with Trust financial processes on 01/09/20X3. At this date, £15,000 of their reserves qualifies as Pooled Reserves. At 31/08/20X3 the Trust has spent a proportion of its Pooled Reserves and has £80,000 left. For the existing schools, their original proportion shall apply to the remaining Pooled Reserves.

For example, School A, in the above example, contributed 11.1% of £90,000. The Trust will amalgamate School D's reserves with the £80,000 so there is now £95,000 in Pooled Reserves. School D will have contributed £15,000/£95,000, or 15.8%.

School A will have contributed £8,888 of £95,000, or 9.35% under the re-calculation.

Multiplier

Each school will have their own multiplier. This will be 1+ their calculated percentage of contributed reserves, as detailed above. In our example above this would be 1.0935 for School A and 1.158 for School D.

Scoring matrix

Applications for the use of reserves will be assessed using the following scoring system.

Assessment criteria	Score Range
Alignment with Trust strategy	0 to 10
Alignment with the school development plan/asset management plan	0 to 5
The project enhances the safeguarding or general safety of Trust children	0 to 5
Impact of requested fund	0 to 10
Value for money	0 to 10
Total	0 to 40
School multiplier	X.XX
Weighted Total	XX

The scoring matrix will be used as an indicator in the decision making process, however Directors may use their discretion in agreeing a Reserve Request.