

# 2019 -2021

Potential in Everyone Academy Trust  
CEO – David Whitehead

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## Reserves Policy

<b>Committee</b>	Board of Directors
<b>Version</b>	1.0
<b>Author</b>	Linda Lucas
<b>Approved on</b>	12 July 2019
<b>Signature</b>	
<b>New Review date</b>	July 2021

Associated Documentation	

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# Part A – Policy

## 1. Policy Statement

Academies are expected to create reserves from their annual General Annual Grant (GAG) funding. During the current economic environment for schools GAG Funding levels create little opportunity to achieve a surplus. The DfE provides minimal funding in the way of Devolved Formula Capital Grant. In addition, Trusts can bid for a share of the Academies Capital Improvement Fund (CIF).

The purpose of the reserves policy for Potential in Everyone Academy Trust is to ensure the stability of the Trust's operations. Maintaining an appropriate level of financial reserves is considered essential in protecting the Trust from financial risk.

The Board of Directors require a capital reserve to be created to fund future capital expenditure

## 2. Definition and Goals

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

In deciding the level of reserves, Directors will consider the following:

- Uncertainty, turbulence or expected reduction in funding arrangements
- The need for any large project spends to include facilities development, ICT investment or building condition needs
- Fluctuations in pupil numbers
- Cash flow issues due to delays in funding
- The Trust's annual budget
- One month's salary bill

## 3. Scope of the Policy

This policy relates to all schools across Potential in Everyone Academy Trust and supersedes any local policies and procedures that were in place prior to the academy conversion

## 4. Adoption Arrangements and Date

This policy procedure was adopted by the Board of Directors of Potential in Everyone Academy Trust on 12 July 2019 and supersedes any previous policy.

## 5. Review of Policy

This policy will be reviewed by the Board of Directors every two years or earlier if there is a need. The Trust Board must approve all changes

## 6. Reporting and Monitoring

The Board of Directors is 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 Trust Finance Manager. The Trust Finance Manager will maintain a medium-term financial forecast which will show how end of year reported reserves will be utilised.

The appeal will be considered by selected members of the Trust Board of Directors and a written response provided to the Local Governing Body within 30 school 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 dis-apply the provision for the pooling of resources.

# Part B – Process

## 7. Types of Reserves

### 7.1 Restricted Reserves

Restricted reserves are represented by the main funding for the Trust which is the GAG 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 and in accordance with the limitations outlined in the Trust's funding agreements with the Secretary of State.

The Board of Directors have determined that the appropriate level of restricted reserves to be held for non-earmarked expenditure by each school should equate to 3% of total restricted funds (excluding the impact of pensions deficit/surplus) to provide enough working capital to cover delays in the spending and receipt of grants and to provide a cushion for unexpected emergencies.

The Board of Directors reserves the right to recover balances held above the limit determined above. An appeal against any decision to pool reserves can be made by following the Trust's internal appeals process. See section 9.

## **7.2 Unrestricted Reserves**

Unrestricted reserves are made up of the Trust's activities for generating funds, investment income and other donations which are expendable at the discretion of the Directors in furtherance to achieve the objectives of the Trust.

If part of an unrestricted income fund is earmarked for a particular project it may be designated as a separate fund, but the designation is for administrative purposes only and does not legally restrict Directors discretion to spend the fund.

The Board of Directors have determined that unrestricted reserves, together with restricted reserves, should equate to a minimum of 10 weeks of the years planned budget expenditure, held centrally.

## **7.3 Capital Reserves**

The Board of Directors should agree the value of capital reserves to be created in a year as part of the budget approval process from a capital reserve schedule which identifies the need to replace assets and the sums required.

Spend of the capital reserve fund should only occur as agreed budgeted spend which is approved by the Board of Directors as part of the budget process.

## **8. Recovery of Surplus Balances**

The Board of Directors reserves the right to recover reserves held above the limit determined above. An appeal against any decision to pool reserves can be made by following the Trust's internal appeals process. See section 9.

## **9. Appeals Process**

If a Local Governing Body feels that the Trust has been unfairly treated in relation to the recovery of surplus balances, they should first appeal in writing to the Chief Executive Officer, clearly stating the reasons why they feel the recovery of excess reserves is not appropriate and with a supporting 3 year financial forecast demonstrating how the surplus reserves are to be utilised.