

## 1. Introduction

- 1.1. The MAT board needs to consider the level of reserves each school should hold and whether any reserves should be held centrally by the trust. Levels of reserves, which are too high, tie up money that should be spent on current school activities to improve and support teaching and learning and student progress and wellbeing. Levels of reserves that are too low, may put the future activities of the individual school at risk, which in turn may affect the levels of progress, quality of teaching and learning and financial sustainability of the school.

## 2. The Reserves Policy

2.1. The reserves policy:

- Assists in strategic planning by considering how new projects or activities will be funded;
- Informs the budget process at both a school and a trust level by considering whether reserves need to be used during the financial year or built up for future projects;
- Enables investment decisions to be made at trust level, where necessary utilising reserves across the trust; and
- Informs the budget and risk management process by identifying any uncertainty in future funding streams.

## 3. Application of the Policy

3.1. When considering an appropriate level of reserves, the trust board considers:

- The risk of unforeseen emergency or other unexpected need for funds;
- A fall or rise in sources of income;
- Planned commitments, or designations, that cannot be met by future income alone, for example plans for a major capital project;
- The need to fund future deficits in a cash budget, for example money may need to be spent before funding is received; and
- The full range of financial risks identified.

## 4. A Balance Budget

4.1. Academies within the trust are expected to set and maintain a balanced budget where costs are met from income in a given year. Accumulated reserves can be utilised, subject to provisions in this policy.

## 5. Maintain a Level of Reserves

5.1. The trust is responsible for determining the level of financial reserves to be carried forward at the end of each financial year (31 August). The levels of reserves carried forward will be in line with the guidance received from the ESFA on the treatment of GAG income and other grants. See Appendix A.

5.2. The trust will maintain the aggregate of individual academy reserves amounting to a minimum of 3% of all annual income. This will be reviewed annually by the board.

## **HAMPTON ACADEMIES TRUST: Reserves Policy**

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- 5.3. Any in-year deficits in individual schools, will be resourced from reserves. If deficits result in the fund falling below the 3% threshold, resources must be set aside from the next year's budget to restore it.
- 5.4. For the purpose of this policy, reserves are deemed to exclude restricted fixed asset funds and pension reserves.

### **6. Academies Joining the Trust**

- 6.1. Academies joining the trust will normally bring in accumulated reserves. When joining the trust a levy may be applied to the school's unrestricted reserves, which will contribute towards legal and due diligence costs incurred in the successful transfer. The value of the levy will be agreed during the transfer process. Upon transfer, reserves should be maintained in accordance with this policy.

### **7. Monitoring and Reporting**

- 7.1. Each year, the trust will report in the financial statements:
- The level or range of reserves considered appropriate for the academy trust;
  - The level of reserves at year end;
  - How the trust is going to achieve level or range of reserves; and
  - How often the reserves policy is reviewed.

### **8. Monitoring and Evaluation of the Policy**

- 8.1. This policy will be reviewed annually or earlier if there are changes in legislation or direction, which may affect the contents of the policy.
- 8.2. The policy will be reviewed by the Trust Finance Committee.

**APPROVED BY TRUSTEES:**

## ANNEX A

### Managing surplus GAG

- 5.28 ESFA previously set limits on GAG carried forward by trusts from year-to-year. These limits have now been removed for eligible trusts (see section 5.59). ESFA will report to DfE any trusts where it has serious concerns about a long-term substantial surplus with no clear plans.
- 5.59 Some delegations and freedoms in part 5 of this handbook that go beyond the trust's funding agreement do not apply to those trusts. They do not apply to trusts that are party to one of more funding agreements that:
- allow one or more of its academies to receive GAG based on estimated pupil numbers regardless of whether they are being funded on that basis, and
  - allow the Secretary of State to recover GAG from those academies if estimated numbers exceed census-based pupil numbers beyond a specified percentage, and
  - do not require a move to pupil census-based funding permanently.

### Financial Academies Handbook 2020