

Cedars Academy

Reserves Policy



Revised: October 2022

Policy Next Review Date: October 2023

Ours is a community of learning, where secure partnerships create opportunities for students, staff, governors, parents and carers alike to participate and grow to become intellectually, emotionally and socially *fit for life*.

1 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.

This policy aims to ensure that:

- The academy trust's funds are used only in accordance with the law, its articles of association, its funding agreement and the Academies Financial Handbook
- The trust's funds are used in a way that commands broad public support
- Value for money (economy, efficiency and effectiveness) is achieved
- Trustees fulfil their duties and responsibilities as charitable trustees and company directors

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

The [Academies Financial Handbook](#) states that Academy trusts are required to have a secure reserves policy.

This policy is based on the Academies Financial Handbook and Department for Education (DfE) guidance on procurement. This policy also complies with our funding agreement and articles of association.

2.0 Purpose

2.1 The purpose of the reserves policy is to ensure the stability of the Trust's operations, to protect it from the impact of unplanned large expenditure and to enable it to plan for the future. The Trust holds reserves to make sufficient provision for future cash flow requirements, to provide a cushion to deal with unexpected emergencies, to take advantage of new opportunities, and to build up funding for planned future capital projects.

3.0 Definitions

3.1 Fund Accounting

The Trust's reserves are held across different funds depending on the nature of the income (and related expenditure) the reserves are derived from.

3.2 Unrestricted Reserves

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.

3.3 Restricted Fixed Asset Reserves

Restricted fixed asset reserves 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 Pension Reserve

The pension reserve is the surplus or deficit of the value of the Trust's portion of the Local Government Pension Scheme (LGPS).

3.5 Restricted General Reserves

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder/donor and include grants from the Education and Skills Funding Agency (ESFA) and Department for Education (DfE).

3.6 Free Reserves

Free reserves are classed as the total of unrestricted reserves and restricted general reserves.

4.0 Level of Free Reserves

4.1 The Trust has determined that an appropriate level of free reserves should be equal to one month's average pay costs.

4.2 The Trust Board regard the Trust as a consolidated single entity. Financial control and responsibility are centralised for the benefit of all academies within the Trust.

4.3 The Academy budget is set and agreed with Senior Leaders to meet their curriculum requirements, to meet the needs of the Trust strategic plan, and to enable the Trust to hold sufficient reserves to meet this policy.

4.4 Where the academy has no alternative but to set a deficit budget, which has been approved by the Trust Board, a contribution for the next year will include the repayment to reserves of the deficit. At the Trustees' discretion this repayment may be spread over more than one year.

5.0 Designation of Reserves

5.1 All reserves sit at Trust level but can be designated as described below. Reserves will be expended at the discretion of the Trustees.

5.2 Sinking funds – named facilities

5.2.1 Where there is a specific facility which has a limited useful life, a sinking fund should be built up to replace the facility.

5.2.2 The annual contribution to these funds should be assessed each year by the Finance & Resources, Audit & Risk Committee and will depend on the condition and replacement value of the asset.

5.2.3 Sinking funds are not included in free reserves as they are designated for a specific purpose.

5.4 Specific Capital Projects

5.4.1 Where the academy identifies the need to invest in a specific capital project, they may set aside funds to do so. An outline of the project should be submitted to the Chief Executive for approval.

5.4.2 Funds allocated to specific capital projects are not included in free reserves as they are designated for a specific purpose.

5.5 Unspent grant income

5.5.1 Any surpluses remaining at the year-end will be designated to the general reserves of the Trust to build up the reserves to the acceptable level outlined in section 4.

5.5.2 Where the academy has identified the need to invest in a specific project, the academy may submit a request to the Chief Executive to allocate the surplus generated to the specific project. The Chief Executive will approve any request based on the current financial position of the Trust and the priority of the specific project identified.

6.0 Expenditure against reserves balances

6.1 Expenditure that draws on reserves is subject to the same purchasing authority levels as set out in the Financial Levels of Authority document. To ensure a balanced and equitable approach to the expenditure of reserves across the Trust, spend will generally only be authorised when approved by the Finance & Resources, Audit & Risk Committee. However, reserves can be used in circumstances where an academy must meet statutory responsibilities, without prior approval from the committee.

6.2 All expenditure against reserves will be reported to the Finance & Resources, Audit & Risk Committee and a projected end of year balance provided.