EVERYONE MATTERS
SCHOOLS TRUST

Reserves Policy

Everyone Matters Schools Trust
Central Policy

Policy Owner	Principal and Trustees
Scope of the Policy	This policy applies to all of the school community
Last reviewed by trustees	December 2024
Next review due	December 2026
Summary of key changes	No changes
Committee Responsible	Trust Finance Audit and Risk

1. INTRODUCTION

1.1 Everyone Matters Schools Trust has established this reserves policy to protect its activities by providing financial buffers against an unpredictable environment and to make sufficient provision for future cash flow requirements.

1.2 The policy also provides the framework for future strategic planning and decision-making.

1.3 An effectively implemented reserves policy will mitigate the impact of any risk upon the continuing operations of the academy caused by funding uncertainty.

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

2. TYPES OF RESERVES

2.1 Reserves are the representation of the cash balance available at the period end. In charity accounts, which are used for academies, this cash is transferred into fund balances. These balances can be for "restricted" or "unrestricted" purposes depending on their source.

2.2 Unrestricted Reserves

Unrestricted reserves are derived from income funds, grants or donations that can be spent at the discretion of Trustees in furtherance of any of the Trust's objectives. If part of an unrestricted income fund is earmarked for a project, it may be 'designated' as a separate fund. However, the designation has an administrative purpose only and does not place restrictions on how the fund is eventually spent. Unrestricted reserves will be generally achieved through operating efficiencies and any from trading company profits.

2.3 Restricted Reserves

Restricted reserves are mainly derived from government grant funding through the ESFA (Education and Skills Funding Agency) but may also include other grants or donations provided for a specific purpose. Restricted reserves must be used in accordance with the limitations outlined in the original funding (in the case of ESFA funding, this is as detailed in the Trust's funding agreement).

3. KEY POLICY PRINCIPLES

3.1 The following principles underpin the Trust's approach to reserves management: -

- The Trust will set a balanced in-year revenue budget every year
- The Trust's reserves balance should only decrease due to capital investment and/or other organisational needs which shall always be approved by the Trust Finance Committee.
- All reserves are Trust reserves, however individual Academy reserves balances will be reported to facilitate administrative requirements and for the purposes of statutory accounting

- The Trust's general reserves balance may be comprised of restricted or unrestricted reserves.

4. TRUST GENERAL RESERVES BALANCE

4.1 The Trustees aim to maintain the general reserves balance as a minimum amount of one month's total payroll.

4.2 The balance of the reserve is expected to be between 5 – 10% of the total GAG income and is to be made up of any in year surplus and funds generated. A general reserve balance higher than this figure must be supported by an appropriate plan, for example for expenditure on Academy improvement or capital works, or to mitigate a specific foreseen risk.

4.3 The combined amount that schools are required to contribute to reserves will vary from year, as this amount is defined by what is required to make the reserves balance between 5 - 10% of GAG target.

4.4 A total of £1 million has been ringfenced of the trust reserve to mitigate the potential risk of the PFI at Rainford High School that is index linked to RPIX

5. ACADEMY IN YEAR SURPLUS BALANCES

5.1 Schools may designate these reserves to specific short-term projects that will be completed within two years, but reserves may not be carried forward without the express approval of the Finance Committee, and the DFE if the total spend reaches the limit where approval is required.

5.3 As the overall Trust reserves balance must take priority however, the Finance Committee may at its discretion require all or part of a Academy's remaining surplus to be added to general reserves to compensate for a shortfall elsewhere.

6. EXPENDITURE AGAINST RESERVES BALANCES

6.1 Trustees may temporarily decide to increase the reserves balance over the 5% - 10% of GAG target, for example to fund a specific Academy improvement initiative.

6.2 Expenditure that subsequently draws on reserves must be approved in advance by the Finance Committee. In exceptional cases, for example where expenditure is necessary to comply with a statutory requirement, reserves may be spent without prior approval (but subject to purchasing authority limits within the Finance Policy) but must be reported at the next Finance committee meeting

7 Right to appeal

7.1 In accordance with the Academies Financial Handbook, the Trust acknowledges an individual schools right to appeal against a decision made by the Trust Board to access its strategic reserves.

7.2 If a constituent school's Head Teacher feels that the academy has been unfairly treated, they should appeal in writing to the Trust Chief Executive Officer ("CEO"). The CEO will consider the appeal and notify the Head Teacher of the academy of his/her decision within 10 working days of receipt of the appeal.

8. TREASURY MANAGEMENT

8.1 The Academy will pursue a prudent and 'no risk' policy of investment of surplus funds.