

RESERVES POLICY

V1

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1.0 Policy Statement

- 1.1 The Trust recognises that reserves play a critical role in ensuring the financial stability and sustainability of its schools, and that they are an important tool for managing financial risks and uncertainties. Effective management of reserves requires a balance between the need to maintain sufficient levels of financial security, while also ensuring that funds are used effectively and efficiently to support the educational objectives of the trust.

2.0 Scope and Purpose

- 2.1 The purpose of this Reserves Policy is to set out the principles and guidelines for the management of reserves within Beckfoot Trust. The policy outlines the objectives and considerations that underpin the trust's approach to reserves and provides guidance on how reserves are managed in practice.
- 2.2 This policy has been developed in accordance with the Academy Trust Handbook and takes into account the specific needs and circumstances of the trust and its schools. It reflects the trust's commitment to strong financial management and governance, and to the effective use of resources to support the education and well-being of its students.

3.0 Overarching Principles

3.1 Board Assurance

The different levels of Board assurance determine what additional controls may be required, the key criteria for each section are listed below. The assurance level and additional controls will be bespoke to each school and agreed annually with the Board.

Board Assurance	Definition
High (Red)	<ul style="list-style-type: none">Reserve policy not met in the current year and school is either in structural deficit or forecast to be in-year or the following year.School classed as high financial risk based on outturn, forecast figures and control risk.School may be in any phase of school improvement journey.
Medium (Amber)	<ul style="list-style-type: none">Reserve policy met in current year but not forecast to be met in the next financial year.School classed as medium or high financial risk based on outturn, forecast figures and control risk.School may be in any phase of school improvement journey.
Low (Green)	<ul style="list-style-type: none">Reserve policy met in the current year and in the latest forecast for the next academic year.School classed as low financial risk based on outturn, forecast figures and control risk.School in the re-inventing, embedding or leading phase of its school improvement journey as defined in the One Trust Contract.

3.2 Agreed Reserve Levels 2023-24

Reserve Levels	Notes
0-8.9%	Additional controls may be considered in order to provide assurance to the board on the school's financial sustainability.
9%-19.9%	School may follow the usual scheme of delegation; additional controls may be considered if there are other indications they may be required.
20%+	Reserves over 20% will be put into the central Trust development pot.

3.3 In Year Variances from Budget

Surplus Variance - where there is a significant in year surplus variance resulting in a surplus year end position, and reserve higher than the level set by the Trustees, the school will be required to provide a detailed plan regarding the spending of this surplus in order to retain it in local reserves.

Deficit Variance - any deficit variance from budget requires approval via the usual scheme of delegation. A recovery plan or additional assurance measures may be required as a result of significant negative variances.

4.0 Responsibilities and Arrangements

4.1 Trustees

4.1.1 Trustees are responsible for ensuring that the MAT has adequate financial resources to support its activities, manage its risks, and meet its long-term financial objectives. When setting the reserves policy Trustees take into account:

- **Strategic Objectives.** The reserves policy must be aligned with the Trust's strategic objectives and ensuring it supports long-term financial sustainability.
- **Risk.** The reserves policy should reflect the risks faced by the MAT and should ensure that the MAT has adequate financial resources to manage those risks, as well as taking into account any external factors that could impact its revenue streams.
- **Current and Future Financial Position.** The trustees consider the financial position and future needs of the Trust when setting the reserves policy.

4.1.2 Trustees are responsible for monitoring and reviewing the Trust reserves regularly to ensure that they remain appropriate and aligned with the Trust's financial objectives. This may involve adjusting the level of reserves in response to changes in either Internal or external circumstances.

4.1.3 Trustees are also responsible for ensuring that the reserves policy complies with all relevant regulations and guidance.

4.2 Determining the Reserve Policy

4.2.1 Steps for determining the level of reserves held at Trust Level

1. Understanding the nature of charitable funds held - considering restrictions and designations as well as the proportion of capital and revenue reserves.
2. Identification of functional assets - considering whether the Trust has the assets necessary to fulfil its charitable purpose.
3. Understanding the financial impact of risk - linking risks to potential cost in order to ensure the Trust is protected in the event of a risk materialising.
4. Reviewing sources of Income - considering the stability of Income across the Trust is a key factor in determining financial health.
5. Reviewing future plans and commitments - determining what level of reserves may be needed for operational future plans.
6. Agreeing a Reserves Policy - taking all the factors considered in steps 1 to 5 trustees make an informed decision about the level of reserves that should be held. The Trustees will set the reserve policy for the whole Trust and also for individual schools within the Trust. This may be at the same level as the Trust reserve or different depending on levels of centralisation of reserve.

4.3 Internal Management of Reserves

- 4.3.1 All schools within the Trust are expected to maintain the level of reserves set by the Trustees. This is critical to ensure the long-term financial sustainability of the Trust, to support the delivery of remarkable schools where no child is left behind, and to provide adequate financial resources to support Trust activities and manage risks.
- 4.3.2 Schools that fail to maintain the level of reserves set by the Trustees or that are in the stabilisation phase of their school improvement journey, or schools that are not effectively managing their budget, will receive additional support in order to provide assurance to the board regarding the financial security of the school and Trust. This means additional controls may be put in place including additional approval of spend, enhanced focus on curriculum led financial planning, approval of staffing, additional benchmarking, reviews of areas of risk, centralisation of reserves or other measures deemed appropriate to the situation.

5.0 Review of Policy

The reserve policy is reviewed at least annually but may be reviewed in response to either an external or internal change in circumstances.