



# RESERVES POLICY

Status:	Statutory	
Version:	1.2	
Committee:	Human Resources & Finance	
Approved by:	Human Resources & Finance	Date Introduced: 17.06.2019
Review Cycle/when:	Annual/Autumn 1	
Last reviewed on:	October 2022	
Next review due by:	October 2023	
Review Managed by: (drafting/checking)	CFO	
Master stored:	SharePoint/Governance/Policies/Reserves	
Published (where/by):	Trust website/Finance	
Distributed to:	Trust Office, LGCs and Headteachers	
Distributed by:	CFO: OWN Staff, Office Managers: School Staff & governors	
Inform on completion:	Governance & Compliance Manager	

## REVISIONS

Version	Page/ Item No.	Description of Change	Approved On
1.0		First approval	15.10.2020
1.1	p.1/1.3	AFH changed to ATH (Academy Trust Handbook)	23.11.2021
	p.2/4.1	Table amended for all values to updated figures.	
	p.3/8	Table amended for all values to most recent figures.	
1.2	p.3/4.1	Table amended for all values to updated figures.	
	p.4/8	Table amended for all values to most recent figures.	

# Contents

1. Introduction.....	1
2. Types of reserves.....	2
3. Key Policy Principles.....	2
4. Trust general reserves balance.....	2
5. School in year surplus balances.....	3
6. Joiner schools.....	3
7. Expenditure against reserves balances.....	4
8. Total Funds.....	4

## 1. Introduction

- 1.1. OWN 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. The policy also provides the framework for future strategic planning and decision-making. An effectively implemented reserves policy will mitigate the impact of any risk upon the continuing operations of OWN caused by funding uncertainty
- 1.2. This policy and the establishment of reserve targets should be based on a continual assessment of the internal and external operating environment.
- 1.3. The policy takes into account the Academy Trust Handbook (ATH) and guidance from the Charity Commission.
- 1.4. Trusts should use their allocated GAG funding for the full benefit of their current pupils. If a trust has a substantial surplus, they should have a clear plan for how it will be used to benefit their pupils, for example, a long-term capital project. The ESFA will report to the DfE any trusts where it has serious concerns about a long-term substantial surplus with no clear plans for its use.
- 1.5. The Charity Commission reminds trustees that:
  - charity law requires any income received by the Trust to be spent within a reasonable period of receipt;
  - a good reserves policy takes into account the Trust's financial circumstances and other relevant factors;
  - it is good practice to monitor the level of reserves throughout the year.

## 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 particular 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 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 agreements).

## 3. Key Policy Principles

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

- the Trust will endeavor to set a balanced in-year revenue budget every year for the following financial year;
- two- and three-year projections will not be subject to the need to be balanced as work will be undertaken to mitigate against deficit budgets prior to being set for the following year;
- the Trust's reserves balance should only decrease due to capital investment and or other organisational needs which shall at all times be approved by the Finance and HR Committee;
- the Trust's general reserves balance may be comprised of restricted or unrestricted reserves.

## 4. Trust general reserves balance

4.1. The Trust general reserves balance will be maintained at a level equivalent to between 5% and 10% of combined General Annual Grant for all schools. Therefore, if the combined GAG for the following year is forecast to be £10m the Trust reserves balance should be £1 million, but can remain between £500,000 and £1 million. This is the percentage that trustees regard as an

appropriate level of reserves given the current operating environment. A general reserves balance higher than this figure must be supported by an appropriate plan, for example for expenditure on school improvement or capital works or to mitigate a specific foreseen risk.

SCHOOL	2022-23 GAG	5% (Minimum)	10% (Maximum)
NENE VALLEY	£1,339,210	£66,960	£133,921
ORTON WISTOW	£1,782,770	£89,138	£178,277
WOODSTON	£2,482,767	£124,138	£248,276
TOTALS (OWN)	£5,604,747	£280,237	£560,475

## 5. School in year surplus balances

- 5.1. A school in year surplus balance over and above its agreed reserves contribution may normally be spent as determined by the school once the previous year's accounts have been closed. Schools may designate these reserves to specific short-term projects that will be completed within two years, but reserves may not be carried forward for more than two years without the express approval of the Finance and HR Committee.

## 6. Joiner schools

- 6.1. A surplus balance brought forward into the Trust by a joining school shall be deployed as follows, in priority order:
- to address urgent compliance and health and safety issues at the time of conversion as well as other urgent requirements determined by due diligence, e.g. school improvement, compliance and health and safety. Issues will normally be determined by a condition survey commissioned by the Trust;
  - 90% of any remaining balance brought forward will be designated to the school to be spent at its discretion and 10% or the current percentage actual recharge costs will be added to the Trusts general reserves.

## 7. Expenditure against reserves balances

- 7.1. Trustees may temporarily decide to increase the reserves balance over the percentage of GAG target, for example to fund a specific school improvement initiative. Expenditure that subsequently draws on reserves must be approved in advance by the Finance and HR 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 regulations) but must be reported at the next Finance and HR Committee meeting.

## 8. Total Funds

At the 31st of August 2021 (awaiting audit figures for 2022) total funds comprised:

<b>Unrestricted</b>			£548,283
<b>Restricted</b>	Fixed Asset Funds		£11,295,976
	Pension Reserve		(£4,798,000)
	General Annual Grant		£345,704
<b>Total</b>			£6,843,680