



THE CONSORTIUM
ACADEMY TRUST

Shaping Positive Futures

Reserves Policy

The Consortium Academy Trust (TCAT)
An Exempt Charity Limited by Guarantee
Company Number 07665828

Status:	Live
Policy Owner (position)	Director of Finance
Statutory / Recommended	Recommended
Date Adopted	7 March 2018
Review Period	24 months
Last Review Date	January 2023
Revision	3
Next Review Date	Under Review
Advisory Committee	Finance, People & Resources
Linked Documents and Policies	Accounting and Reporting by Charities: Statement of Recommended Practice 2005 (updated 2008) Education Skills Funding Agency's (ESFA) annual Academies Accounts Direction

This Policy shall be reviewed in accordance with the above review date or earlier should there be a legal requirement, business requirement or any collective agreement that necessitates a change.

1.0 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. The Consortium Academy Trust, as an exempt charity, must comply with these regulations.

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

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 expenditure.
- 4.2** The Trust Board regard the Trust as a consolidated single entity. Financial control and responsibility are centralised for the benefit of all schools within the Trust.
- 4.3** School budgets are set and agreed with Headteachers 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** Each school shall contribute the equivalent of one month's expenditure to meet the agreed level of free reserves. Where the level of free reserves is not met by that school it will make a contribution to reserves until their contribution equals one month's expenditure. The contribution amount and the rate at which the reserves are built will be considered during the budget setting process, taking into consideration the other demands on the school's funding.
- 4.5** Deferring contributions to reserves by schools yet to meet their reserves contribution target may be approved at the discretion of the Trust Board.
- 4.6** Where a school has no alternative but to set a deficit budget, which has been approved by the Trust Board, their 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 Schools joining the Trust

- 5.2.1** A school becomes part of the one legal entity on joining the Trust, therefore legally any reserves brought into the Trust on conversion belong to the Trust. However, the Trust recognises that some reserves may have been generated by a school for a specific purpose and the intention is that, wherever possible, **those** reserves may remain designated for that purpose. This does not override the legal position that all reserves belong to the Trust and can be designated by the Trust as required.
- 5.2.2** Where a school brings a deficit reserves balance into the Trust, the Trust Board will determine how the deficit is to be funded if required to bring the free reserves back to the level stated in this policy.
- 5.2.3** Once a school has joined the Trust, it will contribute to free reserves as outlined in section 4 above.

5.3 Sinking funds – named facilities

5.3.1 Where there is a specific facility, such as a 3G football pitch, which has a limited useful life, a sinking fund should be built up to replace the facility. Where the rewards and responsibilities of the facility are designated to a specific school, it is that school's responsibility to fund the sinking fund from its delegated funding. Where the rewards and responsibilities of the facility are designated to the Trust as a whole, the sinking fund should be funded centrally.

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

5.3.3 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 schools identify 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 Director of Finance 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 a school has identified the need to invest in a specific project, the school may submit a request to the Director of Finance to allocate the surplus generated to the specific project. The Director of Finance 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, People & Resources Committee. However, reserves can be used in circumstances where a school must meet statutory responsibilities, without prior approval from the Committee.

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