



Leodis
Academies
Trust

Reserves Policy

2022-2023

Policy Details	
Document Name:	Leodis Academies Trust Reserves Policy 2022-2023
Version Number:	1.0
Effective From:	1 April 2023
Owner(s):	Chief Finance Officer
Approved by:	Trust Board
Next review date:	1 April 2026

Document History			
Version	Date	Author	Note of Revisions
1.0	March 2023	CFO	<p>Formerly the Reserves and Investment Policy from May 2020, the two have now been separated.</p> <p>Specific amends to Reserves element:</p> <ul style="list-style-type: none"> - 6.2: Scheme of Delegation change. - 8.1: Option to pool inserted. - 10.1-10.6: Removed as included in Investment Policy. - (13) Investment of Funds section fully removed as included in Investment Policy. - 16.3: Investment in regulated institutions. - 17.3: Referral made to Investment Policy.
1.1	Nov 2024	CFO	<p>Updates made to the name of the Local Governing Board/ Local Advisory Board to reflect the changes to the roles and responsibilities outlined in the Academy Trust Governance Guide 2024.</p>

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1. INTRODUCTION

- 1.1. The purpose of this policy is to establish a framework within which decisions will be made regarding the level of reserves held by Leodis Academies Trust and the purposes for which they will be used and maintained.
- 1.2. The policy also provides the framework for future strategic planning and decisionmaking. The development of an effective reserves policy will inform the management of financial risk and restrict the impact of any risk upon the continuing operations of the MAT. It serves to ensure the stability of the Trust's organisational operations and to protect it so it has the ability to make sufficient provision for future cash flow requirements and adjust quickly to any financial circumstances.
- 1.3. The DfE expects Academy Trusts to use their allocated funding each year for the full benefit of the current pupils. Therefore it is important that if the Trust has a substantial surplus there is a clear plan how it will be used to benefit the pupils and to fulfil the Trust's charitable objectives.

2. RESPONSIBILITIES

- 2.1. The Trustees of Leodis Academies Trust are responsible for determining the content of the policy and the level of reserves that should be held.
 - 2.1.1. Levels of reserves which are too high tie up money which should be spent on current school activities.
 - 2.1.2. Levels of reserves which are too low may put the future activities of the MAT at risk.
- 2.2. The ESFA do not impose any restriction on the level of reserves held, but can challenge the level if it is deemed to be excessive or inadequate. They will report to the DfE any trusts where there are serious concerns about a long-term substantial surplus with no clear plans for its use or declining reserves which threaten the long term sustainability of the Trust.
- 2.3. The Board of Trustees delegate responsibility for reserves related approvals to the Local Governing Boards in line with the Financial Authorities in the Scheme of Delegation.

3. AIMS

The aim of this policy are to:

- 3.1. ensure a consistent reserves policy across the Trust;
- 3.2. identify a target level of reserves required across each Academy and the central Trust;
- 3.3. explain the reason for holding reserve balances;
- 3.4. ensure internal control arrangements within the Trust are operating effectively and assure proper stewardship over public funds;
- 3.5. ensure that Trustees receive oversight of the reserves position of the Trust and challenge this position as required;
- 3.6. ensure the Trust adopts a structure of prudent financial management and maintains sufficient reserves to meet the future needs of the Trust and its Academies;
- 3.7. inform the budget process by considering whether reserves need to be used during the financial year to address an in-year deficit budget; and
- 3.8. assist in strategic planning by considering how new projects or activities will be funded.

4. SCOPE

This policy relates to all Academies within Leodis Academies Trust and the central function.

It has been formulated in accordance with the Academies Financial Handbook, published by the Education & Skills Funding Agency.

5. TYPES OF RESERVES

- 5.1. **Restricted Reserves** are represented by the main income of Leodis Academies Trust, which is the General Annual Grant (GAG), other grant contributions and donations that are received for a specific project or purpose. These funds are restricted in their use according to the Funding Agreements or donor instructions.
- 5.2. **Restricted Fixed Asset Reserves** are reserves held specifically for capital purposes
- 5.3. **Unrestricted Reserves** are derived from activities for generating funds such as catering, lettings, extended services income, investment income and other donations. These can be spent at the discretion of the Trustees to achieve the aims of any of the MAT's objectives.
- 5.4. **Designated Reserves** are reserves that have been set aside at the discretion of the Trustees in furtherance of any of the MAT's objectives. Where a designation has

been identified, the purpose and timing of any expenditure must be explained. The target range for any Designated Reserve will be determined by the nature of the designation itself.

- 5.5. **Pension Reserve:** The risks surrounding the MAT's pension liability have been taken into consideration when calculating the target ranges. The presence of a pension surplus or deficit does not constitute an immediate liability or realisable asset and does not mean that the equivalent amount is already committed or no longer available to the MAT. The presence of a pension surplus or deficit will generally result in a cash flow effect for the MAT in the form of an increase or decrease in employers' pension contributions over a period of years. The Trustees do not consider the pension liability to be part of the short and medium term reserves requirements providing the Trust can meet the monthly contributions.

6. TARGET LEVEL OF RESERVES

- 6.1. The Trust considers that the appropriate level of reserves for each Academy is equivalent to 5% of annual GAG funding for the relevant financial year.
- 6.2. Where reserves fall below this level, the Central Finance Team will work with the Principal to provide Trustees with a rationale for the decision, with a plan of how reserves will be maintained at the agreed levels over the next three years. This should be in writing and approved by Trustees. Local Governing Bodies will be consulted during the planning process.

7. MANAGEMENT OF RESERVES

- 7.1. It is expected that all Academies within the Trust will set a balanced budget for each financial year.
- 7.2. Where reserves have accumulated
- 7.2.1. reserves should have a specific purpose related to future spending or covering current and future risks;
 - 7.2.2. the size of reserves should balance the benefit of current spending with the risks the reserves cover;
 - 7.2.3. the use of any reserves should be transparent and maintain the link with the purposes for which the income was given; and
 - 7.2.4. sufficient resources should be available so that unexpected events can be accommodated without causing current year problems, leading to deficit or cash-flow issues;
- 7.3. Reserves held in excess of the target percentage will be reviewed by the MAT on an annual basis.
- 7.4. An appropriate range of options will be considered on a Case by Case basis.
- 7.5. Examples might include investment in school improvement, increased MAT capacity or for supernumerary central staff, releasing funds into the revenue budget in furtherance of the MAT's objectives, assigning funds to appropriate designated

reserves as may be determined by the MAT, or investing the funds to generate further income through increased income generation or expansion of the MAT's work.

7.6. Any request for expenditure against the reserves balance must be notified by the Academy to the CEO Accounting Office and Director of Finance, using the 'Request Against Reserves' pro-forma found in the Appendix.

7.7. This will enable Trustees to identify when, and for what reason(s), it is required to draw upon reserves and can consider whether this is an appropriate use of reserves and if applicable, what corrective action needs to be taken.

8. POOLING OF RESERVES

8.1. Reserves are kept separate and allocated to the relevant Academy however it is at the discretion of Trustees to use reserves in a manner which benefits all children served by the Trust. This means that there may be times where reserves are effectively pooled for the future strategic direction of the Trust. This will be discussed and ratified by the Trust Board.

8.2. Any reserves that are accumulated in the Trust will be spent at the discretion of the Trustees.

9. LOAN AGAINST TRUST RESERVES

While recognising the Trust does not currently allow for the setting of deficit budgets, any deficit budget that is forecast for the following financial year must be accompanied by a deficit recovery plan to ensure the long-term financial stability of the Academy.

10. INVESTMENT OF CASH RESERVES

10.1. The Trustees are keen to optimise a return on working capital whilst allowing easy access of the funds. In balancing risk against return the Trust's policy is geared towards avoiding risk rather than to maximise return. This is detailed in the Trust's Investment Policy.

11. RESPONSIBILITIES

The Accounting Officer and Trustees have overall responsibility for the security and management of funds. The day to day management of the cash balances is delegated to the Director of Finance.

12. BORROWING OF FUNDS

Academy Trusts are not allowed to enter into any arrangements to borrow without prior permission of the Secretary of State. The Trust does not currently envisage the need to borrow or operate an overdraft.

13. CREDIT RISK

Leodis currently splits cash funds between 2 banks to minimise credit risk.

14. CASH FLOW STATEMENTS

Cash flow statements are produced on a monthly basis to the end of the current financial year using the finance system in order to highlight any surplus cash balances throughout the year that may be available to be invested and to ensure that there are sufficient readily accessible cash funds.

15. AUTHORITY

15.1. The Trustees are responsible for approving bank institutions and the opening of new bank current accounts, and approving bank deposits and any investment product other than a bank deposit.

15.2. The Trustees delegate authority to the Director of Finance to place deposits in the Trust's name with approved banking institutions following Trust Board approval.

16. CURRENT ARRANGEMENTS

16.1. Leodis Academies Trust has current accounts with Lloyds and NatWest banks.

16.2. There is also a NatWest interest bearing account into which funds are placed that are not needed immediately. This is a short term deposit account which allows instant access to the funds.

16.3. Leodis invests reserves with Banks or Building Societies with a UK banking licence and regulated by the FCA and PRA. The details of this are contained in the Investment Policy.

APPENDIX

REQUEST AGAINST RESERVES



Application for Expenditure against Reserves Academy:

Total spend requested:

Current year budget position (surplus/deficit £ predicted at year end):

Reserves at start of year:

5% of GAG:

Details and Justification of spend:

	Name	Sign	Date
Principal			
Chair of LC			
Finance Director			
CEO Principal			
Trustee Approval			