



Shireland Collegiate Academy Trust

# Reserves Policy

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| <b>Committee and Date Approved</b> | Trust Board – Summer 2023                                     |
| <b>Category</b>                    | Statutory - DfE   |
| <b>Next Review Date</b>            | Annually unless change in legislation –<br><b>Summer 2024</b> |
| <b>Policy Availability</b>         | Trust Website   |
| <b>Officer Responsible</b>         | Chief Finance Officer   |

The Trust, all Academies within the Trust and Shireland Learning Limited must comply with this policy.

## Introduction

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 2015, commonly referred to as the Charity SORP.

Shireland Collegiate Academy Trust, as an exempt charity, must comply with these regulations.

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

## Purpose

The purpose of this policy is to outline the Trust's targets and expectations of the reserves held at the academies and centrally.

It is imperative that the board of the Trust agree a minimum level of reserves to be held by each academy and centrally in order to achieve the best use of public funds and support sustainability. However, it is also important to ensure that annual spending is spent in line with the ESFA requirements for the purpose it was intended and therefore there should also be a maximum level of reserves unless there is a justified and agreed long term plan in place.

The purpose of holding reserves is to ensure the stability of the Trust's operations and protect against unexpected and fund future events. The reserves will be held to:

- Maintain operations during unexpected emergencies
- Plan for changes in environment such as lower student numbers due to downsizing
- Carry out future capital plans
- Take advantage of new opportunities
- Ensure cash flow and liquidity

The Revenue reserves are split into restricted and unrestricted. Restricted reserves are funds that have specific conditions to their use whereby unrestricted reserves can be used to contribute to any of the Trust objectives at the discretion of the Board.

Capital reserves relate to unspent income received specifically for capital purposes. This can be either academy level or centrally as part of the School Condition Allocation or equivalent grants.

Typically, the reserves levels are calculated as a percentage of the total income in the academic year and include revenue and capital reserves.

## Reserves Levels

The minimum for established academies to remain sustainable and a going concern should be 2%. If the reserves fall below the 2% due to unexpected circumstances, future

budgets should include remedial actions and in year surpluses for future years to increase the reserves back to a surplus within 3 years.

For free schools and newly opened academies, they must be able to achieve reserves of at least 2% of income within the first 3 years of opening.

For all academies and the Central Trust, the recommended reserve level should be 5%, and for any academies whereby their reserves are over 5%, a plan must be in place to outline the intended use of these reserves.

### Monitoring

The Resources Committee will monitor compliance and will determine the action required to resolve any breaches.

The Resources Committee reserves the right to recoup any value over the recommended level of reserves, where the committee feels resources are not being held for valid educational or growth purposes. This funding will then be used as directed within the academy or across other academies and the central team. This is to ensure that funds are being spent appropriately to ensure best value and improve teaching and learning.

Please note all reserves levels as detailed above held must be totally **uncommitted**.