



MERCHANT TAYLORS' OXFORDSHIRE ACADEMY TRUST

RESERVES POLICY

Version 1.0

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1. Introduction

The purpose of this document is to set out the policy adopted by the governing body for the holding of financial reserves.

The policy establishes the level of reserves required in order to balance the need to secure and maintain the Trust's solvency and future activities with the need to maximise the benefits provided to current students.

The Trust's reserves policy:

- Assists in strategic planning by considering how new projects or activities will be funded.
- Informs the budget process by considering whether reserves need to be used during the financial year or built up for future projects.
- Informs the budget and risk management process by identifying any uncertainty in future income streams.

2. Responsibilities and Accountability

The Trustees are responsible for determining the content of the policy and the level of reserves that should be held. The Trustees should identify corrective actions, if any, to be taken if reserves fall outside of desired the desired range.

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.

The Trustees delegate responsibility for each institutions' reserves to local governing bodies.

The CEO and Trustees are responsible for reviewing this policy on a regular basis to ensure that any new or changed legislation is adhered to.

3. Aims

The aims of the policy are to:

- Ensure there is a consistent policy across the Trust.

- Identify a target level of reserves for each institution within the Trust.
- Explain the reasoning for holding reserve balances.
- Ensure internal control arrangements within the Trust are operating effectively and assure proper stewardship over public funds.
- Ensure that Trustees receive oversight of the reserves position of the Trust and challenge this position as required.
- Ensure the Trust adopts a structure of prudent financial management and maintains sufficient reserves to meet the future needs of the Trust and its schools.
- Inform the budget process by considering whether reserves need to be used during the financial year to address an in-year deficit budget.
- Assist strategic planning by reviewing how new projects will be funded.

4. Scope

This policy applies to all schools within the Merchant Taylors' Oxfordshire Academy Trust. It has been formulated in accordance with the Academy Trust Handbook, published by the Education & Skills Funding Agency.

5. Types of Reserve

Restricted reserves: Represented by the main income of the 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.

Restricted fixed asset reserves: Reserves held specifically for capital purposes.

Unrestricted reserves: Derived from activities for generating funds such as catering, lettings, clubs, investment income and other donations. These can be spent at the discretion of the Trustees to achieve the aims of any of the Trust's objectives.

Designated reserves: Reserves that have been set aside at the discretion of the Trustees in furtherance of any of the Trust'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.

Pension Reserve: The risks surrounding the Trust'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 Trust. The presence of a pension surplus or deficit will generally result in a cash flow effect for the Trust 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

The Trust is currently in a deficit position so needs to work to produce a surplus and build reserves back up. This need for higher levels of reserves needs to be balanced with the educational needs of the Trust and a need to be realistic in what is achievable. For this reason, the current aim is to increase reserves to 2.5% of annual GAG funding by the end of the 2026/27 academic year.

The Trust believes that in the longer term, potentially a further three years, an appropriate level of reserves for each school is equivalent to 5% of annual GAG funding for the relevant financial year.

Where reserves fall below this level, the central finance team will work with the CEO and local headteacher to provide Trustees with a rationale and a plan for how reserves will be maintained at the agreed level 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

It is expected that all academies within the Trust will set a balanced budget for each financial year

Where reserves have accumulated they should have a specific purpose related to future spending or covering current and future risks. The size of reserves should balance the benefit of current spending with the risks the reserves cover. The use of any reserves should be transparent and maintain the link with the purposes for which the income was given. Sufficient resources should be available so that unexpected events can be accommodated without causing current year problems, leading to deficit or cash-flow issues.

Reserves held in excess of the target percentage will be reviewed by the Trust on an annual basis.

An appropriate range of options will be considered on a case-by-case basis. This can be done in line with the Trust's Financial Procedures Manual.

8. Pooling of Reserves

Reserves are kept separate and allocated to the relevant school; 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.

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 school.

10. Responsibilities

The Trust CEO (Accounting Officer) and Trustees have overall responsibility for the security and management of funds. The day-to-day management of cash funds is delegated to the Trust Finance Director.

11. 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.

12. Cash Flow Statements

Cash flow statements are produced on a regular basis in order to mitigate against any liquidity risks and to identify opportunities to invest funds if possible.