

Perryfields Enterprise Academy Trust

Capital and Revenue Reserves Policy



Metadata	
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Version History

V23.1	December 2023	Updated policy template in line with DfE best practice recommendations and in line with the summary list below.
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Amendments within v23.1

- New sections added in:
 - Section 5 – Use of surplus reserves
 - Section 6 – Use of reserves to balance in-year budgets
 - Section 7 – Local government pension fund deficit

- Amendments made to the following sections:
 - Section 1 – added in that the policy helps ensure there is a clear vision for the use of trust reserves and ensures there is a plan for the use of accumulated surplus reserves.
 - Section 2 – added in that trustees will take into account the forecast budget as well as the annual budget when deciding the level of reserves but removed one months' salary bill from the suggested list.
 - Section 3 – added in new paragraph outlining the level of restricted reserves to be held for non-earmarked expenditure.
 - Section 4 - removed suggested unrestricted reserves % to allow trusts to decide for themselves and removed paragraph related to needing a medium term plan showing how end of year reserves will be utilised (moved to section 8).
 - Section 8 – added in that the CFO (or equivalent) will maintain a medium term financial forecast which will show predicted end of year reserves and how these will be utilised.

Contents

Section Title
1. Purpose/Aim
2. Definitions & Goals
3. Restricted Reserves
4. Unrestricted Reserves
5. Use of Surplus Reserves
6. Use of Reserves to Balance In-Year Budgets
7. Local Government Pension Fund Deficit
8. Reporting and Monitoring
9. Review of Policy

References;

<https://www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides/operating-an-academy-trust-as-a-going-concern#integrating-short-term-and-longer-term-financial-planning-and-monitoring>

<https://www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides/academy-trust-reserves#:~:text=Academy%20trusts%20need%20to%20strike,be%20used%20to%20benefit%20pupils.>

<https://educationhub.blog.gov.uk/2024/03/19/school-funding-everything-you-need-to-know/>

Reserves Policy

1. Purpose/Aim

The purpose of the reserves policy for Perryfields Enterprise Academy Trust is to ensure the stability of the trust's operations whilst making sure there is a clear vision for the use of trust's reserves. Maintaining an appropriate level of financial reserves is considered essential in protecting the trust from financial risk. This is to be balanced with ensuring there is a clear plan for surplus reserves that may have accumulated and how this will be utilised for the future development and operation of the trust.

2. Definitions and Goals

In general, it is considered prudent to maintain a level of useable reserves sufficient to cover unexpected and unplanned events so that the trust's primary objective is preserved. At the same time, trustees may wish to ensure that it uses its funding to benefit the pupils in its care which implies an imperative to actively consider the use of reserves to enhance educational provision.

In deciding the level of reserves, trustees will take into account the following:

- Uncertainty, turbulence or expected reduction in funding arrangements
- The need for any large project spend to include facilities development, ICT investment or building condition needs
- Fluctuations in pupil numbers
- Cash flow issues due to delays in funding
- The trust's annual and forecast budgets

As a single academy trust, Perryfields Enterprise Academy Trust tends to hold a higher proportion of income as reserves to cover emergencies, including the need to save for significant capital projects.

3. Restricted Reserves

Restricted reserves are represented by the main funding for the trust which is the General Annual Grant and other funds that are received for a specific project or purpose. These funds are restricted for the use according to the funding agreements of donors' instructions.

The trustees have determined that the appropriate level of restricted reserves to be held for non-earmarked expenditure should equate to 15% of total restricted funds to provide sufficient working capital to cover delays in the receipt of grants and to provide a cushion for unexpected emergencies.

4. Unrestricted Reserves

Unrestricted reserves are made up of the trust's activities for generating funds, investment income and other donations which are expendable at the discretion of the trustees in furtherance to achieve the objectives of the trust.

The trustees have determined that the appropriate level of unrestricted reserves to be held for non-earmarked expenditure should equate to 10% of total funds to provide sufficient working capital to cover delays in the receipt of grants and to provide a cushion for unexpected emergencies.

5. Use of Surplus Reserves

The trust is currently holding reserves which are 45% over the amounts determined above. The trust's planned use of these reserves and how they link to the trust's strategic and investment priorities is as follows:

1. PEAT strives to deliver great places to learn and teach in, inside and out, as such the Site Manager/s complete weekly and monthly premises checks which feed into the Trust asset management plan.
2. We want to ensure each premises within our Trust can deliver our Estates Vision to the highest standard. With this in mind the Trustees and Headteachers will assess any works required and prioritise accordingly and what is needed to make schools safe.
4. Bringing a long-term view on revenue investment and expenditure across the Trust, reflecting events of recent years including increases in global instability which have impacted energy bills and educational materials and supply costs.
5. Ensuring staffing levels meet the needs of the organisation and delivery of the Trust's medium-term financial plan. Given the continuing cost of living rises, National Minimum Wage levels and Teacher and Support staff pay increases of recent years, the Trust will hold a minimum of £100,000 in reserve to cover these costs.

Surplus funds held for future projects and developments will be invested in accordance with the trust's Investment policy.

6. Use of Reserves to Balance In-Year Budgets

Where the trust is unable to balance its budget in-year then trustees have agreed that the use of surplus reserves may be used. However, approval of a budget with an in-year deficit will only be granted where it is accompanied with a three to five year plan that clearly shows how the trust will return to an in-year balanced position.

7. Local Government Pension Fund Deficit

The trust board have assessed the risks around the potential repayment of any local government pension deficit and have considered the crystallisation of the deficit to be low. As a result, no reserves are being held to repay the deficit. The DfE paper (see link below) has helped to inform the assessment of the risk. The risk of repayment of the local government pension fund deficit will be regularly monitored.

<https://www.gov.uk/government/publications/academies-and-local-government-pension-scheme-liabilities/dfe-local-government-pension-scheme-guarantee-for-academy-trusts-pensions-policy-for-outsourcing-arrangements>

8. Reporting and Monitoring

The trustees are responsible for ensuring that the level and use of reserves is monitored. They will do this by the receipt of financial reports prepared by the School Business Manager. The School Business Manager will maintain a medium term financial forecast which will show the predicted end of year reserves and how these will be utilised.

9. Review of Policy

The policy will be reviewed every three years or sooner if warranted by internal or external events or changes. The trust board must approve all changes.