

THE SHROPSHIRE GATEWAY EDUCATIONALTRUST

Financial Reserves Policy

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Amendments to dates and percentage contribution rates agreed at budget setting time.

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RESERVES POLICY

Introduction

The Trust believes that the school budget funding received in any one year should be used to support the pupils on roll at that time unless there is a specific project which requires the accumulation of funding over more than one year. The Trust wishes to ensure that it uses its funding to benefit the students in its care which implies an imperative to consider actively the use of reserves to enhance educational provision.

Where reserves are held, it is a requirement of the charity accounting regulations that charity trustees (directors) must state their reserves policy in their annual report. Trusts and Academy schools, as exempt charities, must comply with these regulations.

The Education Funding Agency's annual Academies Accounts Direction sets out guidance on academies trust reserves policies and reporting requirements, which this policy also aims to comply with.

The Trust's policy for reserves is linked to and part of its formal consideration of the academy's going concern presumption.

Revenue Reserves

It is considered prudent to maintain a level of useable reserves sufficient to cover unexpected and unplanned events so that the school's primary objective is preserved. An unexpected or unplanned event could be defined as (but not limited to) unavoidable expenditure necessarily incurred to ensure the safety of pupils and staff or to ensure a school can remain open and education not disrupted. It must reflect a need that could not reasonably be expected or anticipated by a school. For example, all schools should reasonably expect to have to maintain their premises or to have some staff absence.

Maintaining an appropriate level of financial reserves is considered essential in protecting the school from financial risk generated by, for example.

- income reduction due to Government funding changes
- unexpected changes in student numbers
- cash flow issues due to delays in receipt of funding
- emergencies

In 2024/2025 financial year the trust schools will each contribute 1.5% of base budget to the fund. This percentage will be amended from year to year depending on the level of central reserves held and the budget restraints at budget setting time.

After this contribution any in year reserves achieved by schools will be pooled by the trust and ring fenced for that particular school. Similarly, any in year budget overspends will be pooled and recovered from the following years budget.

Capital Reserves

From time-to-time Directors may approve the accumulation of a capital reserve to fund a specific capital project for the benefit of a school or schools in the Trust.

Absence Insurance Reserves

A reserve fund for self-funding staff absence insurance will be maintained.

In 2024/25 all schools in the trust will contribute 0.75 of one percent of base budget to this reserve.

The purpose is to self-fund long term absences in excess of 4 weeks.

Specifically, exact costs incurred when cover is required for teaching staff.

For support staff cover exact extra costs incurred.

To fund extra costs incurred for a maternity cover.

The reserve is not designed to cover day to day sickness/leave absence for which a cover budget should be set.

Schools are expected to actively manage absences using the managing absence policy and are expected to have exhausted all avenues to reduce costs incurred before claiming from the reserve fund.

On a termly basis absence costs will be calculated and the reserve balance for that term shared by pupil number formula basis. Any balances on this fund will be rolled over to support future year general reserves.

Should in year need exceed balances held the CEO and Heads Board will consider use of the main reserve fund for the remainder of the year and then review school contributions for the next financial year. This is to provide fairness between schools and the potential timing of claims.

The CFO will oversee all use of the fund reporting to Heads Board and Directors.

Monitoring of reserves

Directors will monitor the levels of reserves from audited Annual Financial Statements and financial reports provided by the CFO. A statement of Reserves and Loans will be shared with Directors annually as part of their going concern assurance. Directors will look to ensure that a prudent level of reserves is maintained, bearing in mind the recurrent spending needs of the Trust schools to ensure high quality educational provision.

The CFO will oversee all use of the absence insurance fund reporting to Heads Board and Directors.

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Levels of Reserves

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

- a one-month salary bill
- the school's annual budget
- the need for any large project expenditure such as facilities development or building condition needs.
- any uncertainty, turbulence or expected reduction in funding arrangements,
- anticipated funding over the next three years.

The Trust will not set limits above that permitted (if any) by the ESFA.

Reserves held by the Trust if invested will be in low-risk accounts.

When maintaining reserve levels and considering investment Directors will give due regard to interest rates available and the access required to the funds.

Use of Reserves

Individual Headteachers will make a case to the Heads board for any request for use of reserve funds and will justify why their school budget cannot meet costs. They will also justify why the request is deemed an unforeseeable emergency. The CEO and the Heads Board will consider requests as and when they arise.

Directors will be notified of all use of Reserve funds.

For Capital projects there will be an expectation that the benefitting school will agree a repayment level and term with the Heads Board (maximum 50% of amount) in order to replenish the fund.

The overriding proviso is that repayments to the fund will only be made if to do so is not detrimental to the provision of education to pupils across the trust.

Policy review

This policy will be reviewed annually.