

OWLCOTES MULTI-ACADEMY TRUST

Financial Reserves Policy



February 2020
Last reviewed: May 2024

About Owlcotes Multi-Academy Trust (OMAT)

OMAT is committed to the development of inclusive schools, sharing a common purpose to provide excellent education and improved outcomes for pupils.

OMAT strives to provide high-quality education for all children within our local communities by inspiring innovation, creativity and aspiration through an enriched curriculum.

OMAT is committed to the principles of co-operation, collaboration and sharing best practice with a strong focus on staff development.

OMAT is also committed to the preservation of the unique identity of all schools within the trust: each school will have a Local Governing Board (LGB) which is involved in decision making at school level, with autonomy to make decisions for its own school in line with the scheme of delegation.

Financial Reserves Policy

This policy establishes a framework within which decisions will be made regarding reserves held by the Owlcotes Multi Academy Trust (OMAT) and the purposes for which they will be used and maintained.

1. Responsibilities

The Board of Trustees is responsible for managing fluctuations in the overall financial position of OMAT and may hold reserves to further OMAT's aims as required. Trustees take account of the Academy Trust Handbook and note the requirement that GAG funding should be spent on current pupils. However, Trustees are also aware of significant volatility in the funding of education and have a responsibility to manage fluctuating finances in each school and with the Trust as a whole.

Individual schools within OMAT are expected to set a budget each year using the General Academy Grant (GAG) and other grants (e.g., Pupil Premium & Early Years Funding) and matching expenditure to that income.

The Chief Finance Officer (CFO) and Chief Executive Officer (CEO) works with schools in the Trust each year to set this budget and in doing so take into account all foreseen expenditure. Any reserves at the end of each year either from GAG funding and grants, or from generated income such as extended services income or balances on transfer etc. will be held 'on account' for the schools in the trust. These balances are reserves.

2. Definitions

Reserves are sums of money held by the Trust to meet future expenditure, both revenue and capital.

- **Restricted Reserves** are represented by the main income of OMAT which is the General Annual Grant (GAG), other grant contributions or donations that are received for a specific project or purpose. These funds are restricted in their use according to the funding agreements or donors instructions.

- **Unrestricted Funds:** These are made up of OMAT's activities for generating funds such as: lettings, extended services income; investment income and other donations which can be spent at the discretion of the Trustees to achieve the aims of the schools in OMAT.
- **Uncommitted Reserves** are funds kept to meet short term, unforeseeable expenditure and to enable changes in resources or expenditure to be properly managed by OMAT.
- **Committed reserves** are funds which are held for specific purposes.

3. Use of Reserves

Reserves can be used in support of:

- Contribution to capital projects planned or in development;
- Growing savings over time to enable maintenance, development, and improvement of the Trust's infrastructure to deliver the Trust's capital and estates strategy;
- Cash-flow requirements, so that the Trust can manage fluctuations in income by ensuring sufficient cash is available to pay bills and other expenditure items;
- Contingency against unforeseen events;
- Preparing for new schools to join the Trust, procuring training for staff, or investing in the Trust's central services in order to improve service delivery or increase capacity;
- Immediate short-term resource capacity requirements, where there is a proven need.

In considering the level of reserves for OMAT, the Trustees will consider:

- The risk of unforeseen emergency or other unexpected need for funds;
- The costs of covering unforeseen day-to-day operational costs, for example employing additional temporary staff to cover long-term staff absences;
- A fall in a source of income, such as a decrease in pupil numbers or a reduction in extended services or lettings income;
- Planned commitments that cannot be met by revenue or capital income alone, such as plans for a major capital project (i.e. estates projects) or significant investment in IT facilities;
- The need to fund potential deficits in a cash budget, such as a need to fund activities or projects in advance of grant funding receipts.

4. Maintaining a Level of Reserves

Owlcotes Multi-Academy Trust stipulates a level of reserves for each school in the Trust as a minimum of 5% of the school's annual income. We recommend that each school has a level of reserves of 10% of the school's annual income. This is to mitigate against funding shortfalls or short-term unforeseen circumstances. Individual schools' contexts will always be taken into account by the Trustees when monitoring the level of reserves per school, for example, fluctuations in pupil numbers, staffing and recruitment issues, complex estates issues, and fluctuations in central government funding will always be considered.

Where a school's reserves level falls below 5%, the CFO will support the school to build up their reserves to the recommended level over a 3-year period.

Where a school's reserves level is in excess of 20%, the Headteacher will be supported by the CFO/CEO to develop an action plan, agreed by the Board of Trustees, to identify school or MAT improvement priorities which will be funded by the reserves.

The Board of Trustees reserves the right to direct the use of excessive reserves to fund Trust development initiatives which are in line with the Owlcotes Strategic Plan.

5. Monitoring of Reserves

Trustees are responsible for ensuring that OMAT's reserves are maintained and are used as described in this policy. The Trustees will be responsible for the following:

- When reserves are drawn on, identifying the reasons for this and considering what future intervention, if any, needs to be taken;
- When reserve levels rise significantly, understanding the reasons and considering whether any action or investment that may be taken;
- Where the reserves level is lower than expected, considering whether this is due to short-term circumstance or longer-term reasons which might trigger a broader review of finances and reserves;
- Ensuring this policy continues to be relevant as the Trust develops;
- Reviewing the statement on reserves in the Trustees' annual report where there have been significant changes in the level of reserves held or changes in this policy.

The Chief Finance Officer will regularly monitor OMAT's reserves and will report to the Finance Risk and Audit Committee and Board of Trustees accordingly.

6. Key Principles

The policy takes into account the following principles:

- Reserves should have a specific purpose related to future spending or covering current or 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 are available so that unexpected events can be accommodated without causing current year problems, leading to deficit or cash-flow issues.

The policy allows for schools in OMAT to apply for advance funds from OMAT reserves, subject to a business case and agreed repayment schedule, covering the following exceptional circumstances:

- Necessary funding to ensure rapid or sustained school improvement;
- Essential Health and Safety compliance work.

In normal circumstance, any advanced funds applied for should be discussed by the Finance, risk and Audit Committee and approved by the Board of Trustees. Should an emergency arise in relation to essential expenditure related to health and safety the CEO will seek advice from the Chair of Trustees.

Monitoring and Evaluation of the Policy

This policy will be monitored regularly for any changes in legislation or directions from the DFE which may have an effect and evaluated in the light of any comments made by the DFE, ESFA, auditors and any other interested parties.

This policy should be read in conjunction with the OMAT Investment Policy and Financial Management Policy.

**This Financial Reserves Policy was adopted by Owlcotes Multi Academy Trust on
06/02/2020**

Chair of Trustees : Mrs Judith Norfolk		
Signature:		Judith Norfolk
Frequency of review:	2 years	
To be reviewed by:	FRAC	
To be approved by:	OMAT Full Board	
Date of next review:	April 2026	

REVIEW RECORD

Date of review	Reason for review	Date of next review
12/12/2023	Addition to section 5.	December 2025

Name:		Signature:	
--------------	--	-------------------	--

on behalf of OMAT Full Board

Date of review	Reason for review	Date of next review
21/03/2024	Amendments to section 4.	March 2026

Name:		Signature:	
--------------	--	-------------------	--

on behalf of OMAT Full Board

Date of review	Reason for review	Date of next review
02/05/2024	Amendments to sections 3 and 4	April 2026

Name:		Signature:	
--------------	--	-------------------	--

on behalf of OMAT Full Board