

## Reserves Policy



Contents	
Policy Review Schedule.....	2
Introduction.....	2
Purpose.....	3
Definitions - Fund Accounting.....	3
Free Reserves.....	3
Centrally Held Reserves.....	4

## Policy Review Schedule

This is the Omnia Learning Trust policy for capital and revenue reserves held at academy level and by the central Trust. The policy was written in August 2016 by the Chief Executive Officer. The Board of Omnia Learning Trust adopted this policy at their meeting on 22<sup>nd</sup> November 2016. The policy was then reviewed and readopted at their meeting of 30<sup>th</sup> October 2019. It will be reviewed every three years or more frequently if required by updated guidance.

<b>Policy</b>	OLT Reserves Policy
<b>Review schedule</b>	Every 3 years (unless changes in guidance and legislation require an immediate update)
<b>Statutory Policy</b>	No
<b>Policy owner</b>	CEO
<b>Lead Reviewer</b>	COO
<b>Approver and date of last approval</b>	OLT Operations Committee, October 2022
<b>Key review dates</b>	<b>Changes made</b>
August 2016	Written
October 2019	No changes made
October 2022	Reference to reserve limits removed as limits no longer in place. Reference to creating reserves from “other funding streams” updated to “self-generated funds” Clerk updated to Governance Professional (as per Academies Handbook)
Date of next review: October 2025	

## Introduction

The Charities Statement of Recommended Practice 2005 (updated 2008) (known as the Charities SORP) states that where reserves are held, it is a requirement that charity Trustees must state their reserves policy in their annual report. As an exempt charity Omnia Learning Trust must comply with these regulations.

Further guidance on reserves policies and reporting requirements is contained in the Education and Skills Funding Agency’s (ESFAs) annual Academies Accounts Direction.

## Purpose

The Board of Omnia Learning Trust believes that funding received in anyone year should be spent supporting the children on roll at that time. However Omnia Learning Trust Academies are expected to create reserves from their annual General Annual Grant (GAG) funding or self-generated streams. The purpose of this is so they have the ability to quickly adjust to changing or unexpected financial circumstances such as large, unplanned expenditure, cyclical maintenance or other capital requirements.

It is considered good business practice to hold reserves and is a requirement of the Trust Board that their academies seek to do so; although the Board does recognise that current levels of funding in some academies provide little opportunity to create a surplus. OLT academies hold reserves in order to provide sufficient working capital to cover delays between spending and receipt of grant income, to provide for unexpected emergencies where unforeseen costs are incurred and to build up funding for planned future capital projects.

## Definitions - Fund Accounting

**Unrestricted funds** are resources which may be used towards meeting any of the charitable objectives of the Trust at the discretion of the Trustees (for example a surplus derived from an academy's catering or out of hours operations).

**Designated funds** are unrestricted funds which have been earmarked for a particular future project or commitment. Although earmarked, designated funds remain part of the unrestricted funds of the charity because designation does not legally restrict Trustee's discretion in how to apply the restricted funds they have earmarked (for example a catering surplus earmarked for large kitchen equipment replacement).

**Restricted Fixed Asset Funds** are resources to be applied to specific capital projects (DFC, CIF or other grant funds).

**Restricted General Funds** are all other restricted funds received by the academy and include funding streams such as GAG, UIFSM PE/Sports Grant, Pupil Premium, SEN funding etc.

## Free Reserves

The Board requires each academy to deliver a free reserve fund but recognises the difficulty in achieving this without impacting on the quality of education in the academy and therefore expects the academy to build to a reasonable level of reserve within the first three years of opening.

When deciding on the level of reserve to build to the Board must take into account:

- forecasts for levels of income for current and future years, taking into account the reliability of each source of income;
- forecasts for expenditure for current and future years based on current payroll and planned activity information;
- analysis of future needs, opportunities, commitments or risks.

The Board recommends that academies aim to deliver a free reserve fund which is minimally

equivalent to **one month's average payroll costs** but recognise that levels will differ taking into account current and future circumstances. The Board advises Principals to work with the Chief Executive Officer to determine an appropriate level.

Academies should ensure all reserves are reported at and reviewed termly at Trust Board meetings (or the committee to which financial responsibility is devolved). All expenditure from reserves must be approved by the Board regardless of the level of expenditure in advance of it being spent.

The Chief Executive Officer will review reserve levels annually and report to the Board at the summer term meeting. The review will take into account the overall academy financial position, the nature of the income and expenditure streams, identify when levels have fallen significantly short of or above targets, recommend corrective action if necessary and ensure the policy remains relevant.

### **Centrally Held Reserves**

The Board has resolved that a centrally held reserve fund should be created to support academies or the Trust in an unexpected financial emergency. The Trusts central funds are primarily created from the Universal Top-Slice to academies and therefore the Board acknowledges that large levels of reserves cannot be held centrally without impacting on academy budgets.

During the budget setting process each summer term the Chief Executive Officer will recommend a level of reserve to be held centrally. During its first three years of operation the Trust aims to achieve a reserve level of 20% of its central operations annual turnover (in the region of £24k). By its ninth year of operation the Trust aims to hold a central reserve in the region of one month's payroll per Trust academy, estimated to be circa £100k.

If an academy wishes to make an application for use of the Trust's reserves they must email their request to the Chief Executive Officer stating the amount being requested, what the funds will be used for and why the academy is unable to resource the expenditure from their GAG or other income streams.

The Chief Executive Officer may reject the application on the basis that they believe the academy can fund the expenditure, it is unnecessary expenditure or the academy has deliberately spent other funds planning to rely on the Trust's reserves. If the Chief Executive Officer rejects the application the academy can apply to the Trust for a review. In this case the academy must request this via email to the Governance Professional to the Trust Board.

Members of the Trust Board will review the academy's original application and the Chief Executive Officer's response. This can be reviewed in person at a prearranged time or completed via email facilitated by the Governance Professional to the Board. The majority decision of the Board is final. There is no timeframe for a review to take place but the Board will seek to complete any requested reviews in good time.

If the Chief Executive Officer is in support of the application they will seek approval from members of the Board via email on behalf of the academy. A majority decision is final.