

THE CAM ACADEMY TRUST RESERVES POLICY	
Approved in consultation with the Audit & Risk Committee on behalf of the Trust Board	27 th November 2023 & 13 th December 2023
Date of next review:	November 2025
Responsible Officer	Director of Finance & Operations
Category 1	Version 1

Introduction and background

The Cam Academy Trust is responsible for the allocation of resources to deliver the vision of the Trust. Within this context the Trustee Board delegates responsibility for the day-to-day management of agreed finances to its schools and Local Governing Boards as outlined in its scheme of delegation and within the constraints of budgets approved by the Trustee Board.

Schools within the Trust are expected to set and maintain an in-year balanced budget where costs are met from income in a given year.

This policy

- Explains the rationale behind the ‘pooling’ of reserves across the Trust.
- Explains how pooled reserves may be used by individual schools within the Trust. A request to use pooled reserves must be submitted for consideration to the Trust Finance and Resources Committee before schools make any commitments to spend.

The pooling of reserves:

- Assists in strategic planning.
- Informs the budget and risk management process.
- Enables investment decisions to be made at Trustee Board level, where necessary using pooled reserves across the Trust.

Application of the policy

In considering the appropriate level of reserves, the Trustee Board has taken into account:

- The risk of an unforeseen emergency or other unexpected needs for funds.
- A fall in sources of income.
- Planned commitments, or designations, which cannot be met by future income alone, for example plans for a major capital project.
- The need to fund potential deficits in a cash budget, for example, money may need to be spent before funding is received.
- Any other financial risks which occur.

Trust reserves policy

The Trust reserves policy is that we should aim to have reserves at a level of between 3% and 5% of core income across all schools and the Trust. This means targeting having reserves at 5%, recognising that there will be likely to be reasons why reserves fall below this for various reasons in a year. If we aimed for 3%, we would be bound to fall below that figure in practice and therefore break the policy.

In order to reach the target of 5% reserves, we asked each school to contribute 5% of their total income to the reserve. When pooled across the schools, this then gave the 5% target. Further activities that do not relate to an individual school also need an appropriate reserve that forms part of the total reserve. No school was expected to contribute more than 5%, therefore this was a one-off contribution to build the reserves as needed. This may change in the future if pupil numbers and therefore core income changes substantially.

If any school already had more than 5% of core income held as reserves, that stayed with the school's own budget and rolled forward to the next year within that school.

If any school did not have a reserve of 5%, a process was confirmed with those schools about how they could contribute their 5% in a sensible and manageable way in the coming few years. Each school can manage to do this according to projections for future budgets. These plans have been shared with all the relevant schools.

The requirement to contribute 5% of core income applies to all new schools joining the Trust.

Overall financial position of the Trust

The overall financial position of the Trust, accounting for all the schools in the Trust, is positive with costs kept within income. A Trust level reserve across all schools in the Trust has been established and maintained in line with the Trust's Reserve Policy at the upper end of the range of 3% to 5% of total income. This has strengthened the financial sustainability of all schools in the Trust.

Use of pooled reserves

The establishing of a pooled, Trust-level reserve means that every school has potential access to a much larger reserve if needed than was or could ever be the case when each individual school had (or sometimes did not have) its own individual reserve. This strengthens the financial position of every school.

The Trust's Finance and Resources Committee has delegated power to receive and approve proposals for the use of pooled reserves by individual schools within the Trust. This Committee also receives and approves proposals for the use of the Trust's annual Schools' Capital Allocation (SCA) that is received by the Trust from the ESFA. A similar process is applied for any possible use of reserves by any school so that proper scrutiny of proposals can take place.

Any approved allocation of a reserve to a school is under the understanding that, over time, as reasonably agreed between the CEO and Finance and Operations Director of the Trust with the school, the school will pay back the reserve used so that overall reserves are kept at the target level suggested in the Trust reserves policy.

The following could be reasons why schools might seek to make use of the reserve and therefore might seek approval of this through the Trust's Finance and Resources Committee (having discussed the matter fully and appropriately with the CEO and Finance and Operations Director):

- A worsened budget due to pupil growth. With a lagged funding system, it is quite possible that a school with growing pupil numbers may not be able to achieve an in-year balanced budget. Future projections of such a school's budget should indicate an improved subsequent budget position and therefore the ability to repay reserves at an agreed future point.
- Unanticipated events that could cause an unexpected deleterious effect on a school's budget and therefore require it to access reserves. There are various possibilities that could exist here, such as long-term absence, which must be covered, of one member of (or particularly several members of) staff.
- A new school joining the Trust that may need some temporary assistance from reserves due to its poor financial position (probably related to its more general poor situation) at the point of joining. A proper recovery plan for any such school would be needed if reserves were to be agreed for this purpose.
- A specific planned development at a school that may need some up-front funding to enable it to happen. It is possible that this might be best supported through the SCA fund, depending upon the nature of the development. Any such planned development would need to be agreed as in line with the Trust's core purposes. A clear repayment schedule would need to be agreed in the event of reserves being agreed to be used for this purpose.
- A change in the funding formula for schools that has a specific adverse effect on a particular school due to their nature/characteristics. This may mean that setting an in-year balanced budget in the coming year is very difficult and some reserve is required to assist with this.
- Other possible scenarios that may reasonably require an individual school to access the reserve to cover a short-term budget issue.

A further possible scenario relating to the possible use of the pooled Trust reserve could be if there is a situation that affects the budgets of all schools in the Trust. In such a situation, it is anticipated that the Trust (specifically the Finance and Operations Director working with the CEO) would seek to oversee this situation on behalf of all schools. If the Trust reserve had to be accessed in this way, the Trust would seek to replenish future reserves through possible central Trust funds rather than from individual school budgets if possible. If not possible, a contribution from individual school budgets may be required. A clear example of this scenario is the 2020 COVID-19 crisis. Every school's budget has had an adverse impact of varying degrees, including due to additional expenditure in order to strengthen risk management and mitigation. In this situation, the Trust would seek to manage the use of reserves to cover this adverse financial development.

The use of pooled reserves to fund capital developments

One of the stated criteria for the use of pooled reserves is to provide funding for capital projects at schools beyond what might be possible and appropriate through the SCA funding available to our Trust. This will work in the following way:

- SCA is used first for compliance, health and safety, condition, and IT infrastructure needs. It is anticipated that there will be very little left after those needs are met. If there is then it might support enhancements to teaching and learning facilities at schools, as recommended by the Director of Education and/or the Primary Executive Leader.
- Trust reserves can be considered for use for capital projects for developments and enhancements at schools that cannot be met by SCA.
- A school might wish to be considered for the possible use of reserves for this purpose by having an initial conversation with the Finance and Operations Director and the Facilities Manager.
- If the Trust Senior Team and Facilities Manager, consider that the project is worthy of proper consideration given its importance to the development of the school and ability to provide excellent education then a proposal can be brought to the Trust Finance and Resources Committee. This proposal must have the approval of the relevant Local Governing Body.
- Unlike with SCA, any funding allocation is not a grant but a forward funding of finance (loan) to enable the project to take place. These funds must be paid back into the Trust reserves from the relevant school (or other) budget. An agreed payback period must be agreed as part of the arrangement. It is anticipated that this would be no longer than 5 years and less than this is possible.
- Only a certain percentage of the Trust's reserves could be used in total for projects in order to keep the total reserves within the reserves policy range of 3%-5% of core income.
- Any request will be presented by the Finance and Operations Director to the Trust Finance and Resources Committee and the Committee must approve any funds allocated and the terms and conditions around that.

Monitoring and reporting

Each year, the Board will report in the year-end financial statements:

- The level or range of reserves considered appropriate for the MAT.
- The level of reserves at the year-end.
- How the Trust is going to achieve the desired level or range of reserves.
- How often the reserves policy is reviewed.