



Reserves Policy

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Synergy Multi Academy Trust **Reserves Policy**

1. Aims

- 1.1 As part of good governance, best practice and in compliance with the Academies Trust Handbook, the Trust has developed a framework for managing and maintaining its reserves. This will ensure that they are deployed in a meaningful time to benefit the pupils who are present in the Trust's schools during which time the reserves have accrued, while being balanced against effective stewardship of public funds.
- 1.2 The requirement for academies and multi-academy Trusts to set a reserves policy is developed from the Charity Commission guidance on reserves. Trusts must set a reserves policy and then report their reserves policy in the annual financial statements.

The Charity Commission reminds directors that:

- Charity law requires any income received by the Trust to be spent within a reasonable period of receipt.
 - A good Reserves Policy considers the Trust's financial circumstances and other relevant factors.
 - It is good practice to monitor the level of reserves throughout the year.
- 1.3 The Trust Board are encouraged not to hold back funds and to ensure that today's pupils receive the benefits of the grants received. Holding back excessive funds may damage the education of the current pupils. Conversely, fully spending all current funds leaving no money for investment in the future of the academy can damage the education of tomorrow's pupils.
 - 1.4 The directors have the responsibility to manage the assets of the Trust which is a single legal entity. Setting a reserves policy is a central part of managing the Trust's finances and safeguarding the Trust's assets in uncertain times. Directors must ensure that the Trust holds enough reserves to implement its future strategy. The level of reserves therefore depends on the level of funds required to implement the future strategy.
 - 1.5 It is the purpose of this policy to ensure the stability of the Trust's organisational operations so that it has the ability to adjust quickly to changes in financial circumstances, such as large unbudgeted expenditure, cyclical maintenance and working capital.

2. Scope

- 2.1 This document is to be used as a basis for setting out some principles that the Trust is recommended to adopt and presents a detailed policy that is approved by the Trust Board.

3. Responsibilities

- 3.1 It is the responsibility of the Board of Trustees for the spending of the Trust's funds in that it is utilised for the purpose intended and there is probity in the use of public funds.

4. Principles and policy objectives

- 4.1 This policy takes into account the following principles:

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- 4.1.1 Reserves must have a specific purpose related to future spending or covering current and future risks;
- 4.1.2 The size of the reserves should balance the benefit of current spending with the risks the reserves cover;
- 4.1.3 The reserves should be transparent and maintain the link with the purposes for which the income was given;
- 4.1.4 Reserves should ensure that sufficient resources are available so that unexpected events can be accommodated without causing issues within the current year, generating a deficit or cash flow concerns.
- 4.2 Whilst the DfE require reserves to be limited to a level where its use in the future is known, there is an overriding need to ensure that there is value for money.
- 4.3 The Trust's Reserve Policy is not regarded as a static policy as circumstances will change with time. Therefore, this policy will be reviewed at least annually as part of the Trust's schedule of review.
- 4.4 This policy takes into account the following objectives:
 - 4.4.1 The Trust's approach to management of each of its reserves will be defined in order to meet the strategic aims and objectives.
 - 4.4.2 The process for management of reserves between each of the Trust's identifiable components will be defined.
 - 4.4.3 The process for in-year release of reserves will be defined.

5. Purpose and setting of reserves

- 5.1 Reserves are the representation of the cash balances available at the period end. In charity accounts (the format used for Academies) this cash is transferred into fund balances. These balances can be for "restricted" or "unrestricted" purposes depending on their source.
- 5.2 Synergy Multi Academy Trust has four primary reserve categories for which their purpose is detailed below:
 - 5.2.1 **Free Revenue Reserve** – these are unrestricted and may be used however the Trust sees fit as part of achieving its strategic objectives, while still complying with the Academies Trust Handbook and the furtherance of the Trust's charitable objects. If part of an unrestricted income fund is earmarked for a project, it may be 'designated' as a separate fund. However, the designation has an administrative purpose only, and does not legally restrict the directors' discretion to spend the fund. Unrestricted reserves will be achieved through operational efficiencies and any trading activities undertaken by the Trust. All free revenue reserves for schools within the Trust are held in a central pooled trust reserve.
 - 5.2.2 **Restricted Revenue Reserves** – these are reserves that are restricted in certain ways, for example Pupil Premium etc. While they may be used, the restrictions

on the income initially received remain in place.

5.2.3 **Restricted Fixed Asset Reserve** – This represents the current carrying value of all fixed assets that have transferred to the Trust from the Local Authority as a result of School conversions, donated and granted fixed assets and any other fixed asset purchased from Free and Restricted Reserves and cannot be utilised for any other purpose.

5.2.4 **Restricted Pension Reserve** – This represents the Trust's share of the deficit on the Local Government Pension Scheme (LGPS) transferred to the schools on conversion from Local Authority control and cannot be used for any other purpose.

5.3 The following setting of reserves are considered appropriate - Free Revenue Reserves are to be grown and maintained to a level that are at least 5% of the gross income of the schools within the Trust. However, this level will be reviewed annually by the Board.

6. **Utilisation of reserves**

6.1 The Trust may not actively utilise the Restricted Fixed Asset Reserve or the Restricted Pension Reserve as these simply represent the carrying value of all fixed assets and the present value of the Local Government Pension Scheme obligation. The Restricted Fixed Asset Reserve will increase or decrease depending upon what fixed assets are purchased or received through conversion, donation or granting and what depreciation, amortisation or impairment is incurred.

6.2 The Restricted Pension Reserve will change depending upon the annual valuation of the obligation which is recognised at 31 August each year.

6.3 The Trust is able to actively utilise the Free Revenue Reserve and the Restricted Revenue Reserves, observing restrictions where appropriate, to achieve its strategic objectives. The utilisation of these reserves will fall broadly into three categories:

6.3.1 Non-recurrent capital expenditure (i.e. the purchase of new fixed assets outside of the existing capital programme);

6.3.2 Non-recurrent revenue expenditure (i.e. one-off projects); or

6.3.3 Recurrent revenue expenditure overspends (i.e. the Trust's annual expenditure exceeds its annual income).

6.4 The Trust aims to set its budget so that its annual revenue expenditure does not exceed its annual revenue income. Ideally this would be the case and the Trust will cumulatively increase the level of its Free Revenue and Restricted Revenue Reserves over time, for the purpose tactically deploying the reserves through the first two methods, in ways that support the achievement of the Trust's strategic objectives. However, in instances where setting a balanced budget would be detrimental to service provision outcomes, a deficit budget will be set drawing from revenue reserves, with notification provided to the DfE as required.

6.5 Release of reserves may take place as part of budget setting for strategic purposes. Where the Trust is not in a position to release reserves, ie - if they are below 5%, then all reserves remain as part of the Trust pooled reserves.

6.6 Unspent income and/or grants not specifically identified for other purposes will be added

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to the Free Revenue Reserves. Any in-year deficits will be resourced from this fund as far as possible for all schools within the Trust as monitored by the Trust executive senior leadership team. If deficits result in the fund falling below 3%, resources will need to be set aside in the following years budget by the academy.

7. Release of Reserves: Budget Setting

7.1 As part of the budget setting process, specific projects or capital works may be identified that require the release of reserves due to their non-recurrent nature. Examples include capital works or high value educational improvement plans which are revenue in nature but will have a long-term effect.

7.2 Where a release of reserves is required, this will be included as part of the budget setting process for that school or the Trust itself. Authorisation for release of Trust Central Reserves will be through the normal budget sign off process and are required to be an inherent part of a School Development / Improvement Plan or Premises Plan or overall strategic plan. This will only be approved if Trust central reserves exceeds 5% of Trust total gross income.

7.3 Release of reserves will not take place at any other time within the year.

8. Strategic Management of Reserves

8.1 In exceptional circumstances, the Board of Trustees may revoke any of the decisions made as a result of this policy, in the interests of the Trust, for which the CEO/CFO would then fulfil on their behalf.

8.2 If an existing school within the Trust seeks to leave the Trust, it will transfer to any other Trust or Local Authority with zero reserves, since the full pooled Trust free revenue reserve does not separate schools from one another in this way.

8.3 For any new school joining the Trust, this will be dealt with on a case by case basis, as part of the usual due diligence under consultation with the incoming school and its local governing board/Trust Board as to how their existing reserves will be utilised once becoming a full member within the Trust.

9. Charities and DfE Accounting Requirements

9.1 The Trust is required to report in its accounts the level of reserves held split between the funds noted above. For the purposes of clarification regarding the different types of reserves above, the free revenue reserve and the capital reserve referred to in this policy are both unrestricted funds. The Trust has the discretion to move resources from unrestricted to restricted funds and can also transfer from restricted free revenue funds to restricted capital funds.

10. Academies Trust Handbook

10.1 Any employee as part of their roles and responsibilities that are referring to this document must also have an understanding and knowledge of the Academies Trust Handbook. If the Academies Trust Handbook differs from these procedures, please bring it to the attention of the Central Finance Team.

The Synergy Multi Academy Trust Reserves Policy

This Policy has been approved by the Trust Board

Signed..... Name..... Date:

Chair of the Trust Board

Signed Name..... Date:

Chief Executive Officer