

Reserves Policy



Contents

| | |
|------------------------------------|---|
| Policy Review Schedule..... | 2 |
| Introduction..... | 2 |
| Purpose..... | 3 |
| Definitions - Fund Accounting..... | 3 |
| Free Reserves..... | 3 |
| Centrally Held Reserves..... | 5 |

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 22nd November 2016. The policy was then reviewed and readopted at their meeting of 30th October 2019. It will be reviewed every three years or more frequently if required by updated guidance.

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| Policy | OLT Reserves Policy |
| Review schedule | Every 3 years (unless changes in guidance and legislation require an immediate update) |
| Statutory Policy | No |
| Policy owner | CEO |
| Lead Reviewer | COO |
| Approver and date of last approval | OLT Operations Committee, 11/02/2025 |
| | |
| Key review dates | Changes made |
| 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) |
| November 2023 | Reviewed in light of updated guidance from ESFA Added section for how to consider Trust priorities when spending reserves, Limits on Reserves, clarity on how percentage of reserves to achieve, checklist for robust financial planning for reserves |
| January 2025 | Reviewed in light of updated guidance from ESFA. Minor changes made to Trust/Board requirements and considerations when agreeing a plan for reserves |
| Date of next review: February 2028 | |

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 and the ESFA publication "Academy Trust reserves".

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 Trust must strike the right balance between holding sufficient reserves to ensure the financial health of the schools and the ability to fund significant future investment, without holding back too much that could otherwise be used to benefit pupils.

Each school has their own 'free Reserves' and Reserves are not pooled centrally across the Trust.

Schools must decide how to manage the interplay between their reserves and their wider budget planning, especially where there is particular uncertainty around their underpinning assumptions. For instance, schools may choose to allocate smaller contingency amounts within each budget line directly, or to hold an overall contingency amount in their 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, the Board must take into account:

- the number, type and size of the academies within the Trust;
- 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 or 6-8% of income per school** 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.

Each Academy may wish to accumulate a larger reserve in relation to their estates strategy or educational goals. In this case school leaders must plan robustly to ensure in-year viability is not affected and whether future pupil numbers could impact on funding, either an increase in a future year that would draw on resources until lagged pupil funding was received, or a drop in pupil numbers that would reduce future income.

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.

Trusts can use School Financial Benchmarking to compare their revenue reserves position with other schools and Trusts by locality or characteristics to see the level of reserves at other similar Trusts.

Prioritising spending of Reserves

The Trust must have clear oversight of the spending priorities for each academy and when planning expenditure of reserves. Priority for expenditure of reserves will vary across each academy and throughout the year and must be monitored on a monthly basis. When spending or planning to spend reserves, consideration must be given to:

1. Cashflow – enabling the Trust to manage fluctuations in income by ensuring sufficient cash is available to pay bills and expenditure items as they fall due.

2. Contingency including future change and uncertainty – setting aside an amount to cover any unforeseen issues or extra costs in-year. This could be to balance budgets where in-year expenditure exceeds income, or planning for a period of reduced pupil numbers, or covering unexpected costs to ensure the Trust’s overall budget is balanced.
3. Planned investment and improvement – growing savings to enable maintenance, development, and improvement of the Trust’s infrastructure to deliver the Trust’s capital and estates strategy. This could include sinking funds that set aside money each year to grow funds for premises projects and building plans, but could also be significant investment in the curriculum, IT or school improvement strategies.
4. Strategic development and growth – providing for the Trust’s financial health. This could include preparing for new schools to join the Trust, or for existing schools to expand or investing in the central services of the Trust to improve delivery or increase capacity.
5. Capital investment - When considering capital investment, the Trust will consider the highest priority areas for improvement, using intelligence gathered about the Trust’s estate condition to guide its decision. The Trust’s strategy could include earmarking reserves as a contribution to a prospective Capital Improvement Fund bid, where a Trust contribution may lead to additional points as part of the bid assessment.

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.

Limits on Reserves

There is no set limit to the level of reserves the Trust can build, provided the Trust has clear plans for any reserves it holds in line with the Academy Trust Handbook requirements (section 2.8 to 2.23).

Where the Trust has low, or persistently declining levels of reserves heading towards a forecast of low reserves, the ESFA will contact the Trust to understand its position and discuss any potential support that may be appropriate. Most recently, the threshold for those conversations is reserves of 5% of total income or less.

Where the Trust has high levels of reserves (defined as 20% of total income or above), the ESFA will consider this position alongside the Trust's specific context (for example, capital and school improvement needs, opportunities for Trust growth or academy transfers). The ESFA will seek further information from the Trusts about the plans for these substantial funds in accordance with the ATH requirements and to gain assurance that a policy and clear plans are in place. The ESFA will not require the Trust to spend reserves, nor will the agency look to take back reserves just because reserves are at a high level, but it will ask the Trust to make sure that they are compliant with the ATH and have sufficient plans in place for these funds to meet pupils' needs.

Checklist for consideration when allocating reserves and planning expenditure

Trustees and school leaders should consider both short-term and longer-term factors that may affect the schools and pupils within their academies. In thinking about why they might want to hold reserves beyond providing cashflow contingency, some questions they might want to consider to ensure the Trust is using its funding adequately for current and future pupils include:

1. What reserves are readily available for use and how much is tied up in other assets? Are there any future commitments that need to be considered (for example, DfE loan repayments, operating leases, or ongoing capital works)
2. If funds are not needed now, how can they be invested to generate some extra income for the Trust?
3. What are the pupil numbers for the next few years? Are there increases coming that may require additional staffing, or facilities? Are there any decreases that might mean reduced future income?
4. Are there opportunities to apply for local growth funding?
5. Are there any premises priorities we need to address – either maintenance or site improvement? Are there bidding processes or other funds we can apply to – how much of a contribution from reserves might they need, if any?
6. Are there likely to be changes to the curriculum or staffing structure? What resources/training will our staff need to deliver this that go beyond day-to-day spending? What other investment might be needed to support this educational improvement?
7. What strategic plans do we have – are any of our schools expanding or changing their age range? Are there opportunities for expanding the Trust to support other schools to improve,

or bring in wider expertise and experience? If planning not to grow, are there actions we need to take to protect educational performance as well as the financial health of the Trust?

8. Does the Trust's assessment of reserves levels mean that the Trust's accounts can be prepared on a 'going concern'? basis (see operating an academy Trust as a going concern guidance).