



GEMS Learning Trust Reserves Policy

This is the GEMS 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. The Board of GEMS 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.

Next review date: October 2022

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 GEMS Learning Trust must comply with these regulations.

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

Purpose

The Board of GEMS Learning Trust believes that funding received in anyone year should be spent supporting the children on roll at that time. However GEMS Learning Trust Academies are expected to create reserves from their annual General Annual Grant (GAG) funding or other funding 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. GLT 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 of 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 academy should not set reserves above the limits permitted by the EFA or this could result in a clawback from the DfE. The reserves are currently 10% of GAG for Capital Projects and 2% of GAG for unrestricted purposes. Reserves from unrestricted funds are not limited by the EFA and are at the discretion of the Board.

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 Trusts 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 Trusts reserves. If the Chief Executive Officer rejects the application the academy can apply to Trust for a review. In this case the academy must request this via email to the clerk to the Trust Board.

Members of the Trust Board will review the academy's original application and the Chief Executive Officer response. This can be reviewed in person at a prearranged time or completed via email facilitated by the Clerk 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.

This policy was approved by the GLT Board of Trustees at their meeting on 22nd November 2016. It was reviewed and readopted on 30th October 2019.

Signed



Chair of Trustees