



# RMET Reserves Policy

<b>Approval Body:</b>	Finance, Audit & Risk Committee
<b>Leadership Group Responsibility:</b>	CFO
<b>Type of Policy:</b>	Trust Statutory
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# 1. Introduction and background

- 1.1 RMET is responsible for the effective and efficient use of available resources. These responsibilities are outlined by the Charities Commission in their published guidance: <https://www.gov.uk/government/publications/charities-andreserves-cc19> and the Academies Trust Handbook.
- 1.2 The Company is ultimately responsible for the allocation of resources to deliver the vision of RMET. Within this context the Board delegates responsibility for the day to day management of agreed finances and reserves to the Finance, Audit and Risk Committee as outlined in the scheme of delegation and within the constraints of budgets approved by RMET.
- 1.3 The Finance, Audit and Risk Committee is accountable to the RMET Board to maintain the level of reserves as outlined in this reserves Policy and to obtain permission from RMET Board, for any expenditure against these reserves.

## 2. Types of Reserves

### 2.1 Unrestricted Reserves

- Derived from income funds, grants or donations that can be spent at the discretion of Directors in furtherance of the Company's objectives;
- If part of an unrestricted income fund is earmarked for a particular project it may be 'designated' as a separate fund. However, the designation has an administrative purpose only and does not place restrictions on how the fund is eventually spent.
- Unrestricted reserves will be generally achieved through operating efficiencies and from any trading activity surplus.

### 2.2 Restricted Reserves

- Mainly derived from government grant funding through the ESFA (Education and Skills Funding Agency) but may also include other grants or donations provided for a specific purpose.
- Restricted reserves must be used in accordance with the limitations outlined in the original funding 9 in the case of ESFA funding, this is as detailed in the Trust's Funding agreement). So, they are funds that must be spent on things the donator has specified or for the purpose for which it was given.

### 2.3 Capital Reserves

- Mainly derived from government funding to be allocated to Capital Projects and spent in accordance with the Funding Agreement. This will be monitored centrally to ensure that funding is spent within the allocated time frame.

## 3. Purpose of this policy

- 3.1 The RMET Reserves Policy:
  - Assists in strategic planning by considering how new projects or activities will be funded;
  - Informs the budget process at Board level by considering whether reserves need to be used during the financial year or built up for future projects;
  - Enables investment decisions to be made at a Board level, where necessary utilising reserves across the Trust; and
  - Informs the budget and risk management process by identifying any uncertainty in future income streams.

## 4. Application of the policy

4.1 When considering an appropriate level of reserves, the Board considers:

- The risk of unforeseen emergency or other unexpected needs for funds;
- A fall or rise in sources of income;
- Planned commitments, or designations, that 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; and
- the full range of financial risks identified.

## 5. A balanced budget

5.1 Schools within RMET are expected to set and maintain an in-year balanced budget where costs are met from income in a given year. Accumulated reserves can be utilised, subject to the provision of this policy. A request to utilise any accumulated reserves must be submitted for consideration to the Board's Finance, Risk and Audit Committee prior to schools making any commitment to spend.

## 6. Maintaining a minimum level of reserves

6.1 Individual schools must maintain, as a minimum, a reserves balance equal to 10% of total GAG funding. This equates to six months of non-GAG expenditure in our current company setting.

6.2 For the purpose of this policy, reserves are deemed to exclude restricted fixed assets funds, pension reserves and other specifically designated funds (e.g. funds held for particular Board approved projects).

6.3 The minimum level of reserves is ultimately limited by the need to maintain a positive cash accounting position for the Company and may, therefore, be subject to change.

6.4 The Board will move the surplus reserves, above 10%, to a transition fund to be held centrally and will distribute the surplus reserves on a case by case basis, depending on the needs of the Company.

6.5 All surplus reserves over 10% will be considered by the Board for all strategic or emergency initiatives within the Company.

6.6 The Board will:

- Maintain the aggregate of individual school reserves, amounting to a minimum of 10% of all GAG income;
- Maintain an additional contingency of £250,000 in order to fund developmental and resource needs;
- Review the opportunities and risks at Board level in order to assess the required level of resources needed to meet anticipated and unanticipated needs in the short and long-term and
- Require a business case from schools which maintain a reserves level in excess of 10% of all annual GAG for a period of 24 months or more.
- Require an annual proposal of how reserves will be built up for those schools not currently holding reserves at 10% of GAG funding.

## **7. Additional funds available to support individual schools**

- 7.1 Schools are able to apply to the Board to use additional resources which would reduce their reserves below the agreed minimum level, subject to:
- The Board is able to maintain the required minimum levels of reserves in aggregate across all schools as outlined above;
  - The school is able to provide a 3-year budget which shows a return to minimum reserves by the end of a 3-year period.
  - The RMET Board, in its discretion, approves the use of additional funds on the basis of a business case submitted by the school.
- 7.2 This policy is the responsibility of the Board and decisions involving the use of reserves will be made in accordance with all Documents of Incorporation of the Company.

## **8. Schools joining the Company**

- 8.1 A surplus balance brought forward into RMET by a joining school shall be nominally allocated to the joining school and deployed as follows in priority order:
- To address urgent compliance and health and safety issues at the time of conversion, as well as other urgent requirements determined by due diligence e.g. school improvement. Compliance and health and safety issues will normally be determined by a condition survey commissioned on joining.
  - Any remaining balance brought forward will be added to the general reserve noting any specific project or programme the reserves have been accumulated for.
  - Schools that are accepted and have a deficit will be the subject of a specific recovery plan agreed with the Board of Directors and the ESFA prior to entry.

## **9. Monitoring and Reporting**

- 9.1 Each year, the Board will report in the financial statements:
- The level or range of reserves considered appropriate for the Multi Academy Company;
  - The level of reserves at year-end;
  - How RMET is going to achieve the desired level or range of reserves; and
  - How often the Reserves policy is reviewed.
- 9.2 The Finance, Audit & Risk Committee will monitor each school's budget against actual expenditure together with the level of reserves and will hold the school and its Academy Committee to account where they fall into deficit.

## **10. Pensions Liabilities**

- 10.1 The risks surrounding the Board's pension liability should be taken into consideration. The presence of a pensions' surplus or deficit will result in a cash flow effect for the Company in the form of an increase or decrease in the Company's future pension contributions over a period of years. The Board should assess the ability of RMET Company (and individual schools) to meet the required pension contributions from projected future income without significantly impacting upon its planned level of activities.

10.2 The above relates only to the Local Government Pension Fund as Teachers' Pensions are underwritten by Government.

School	Audited Reserves as at 31.08.22	10% Required Reserves Level (based on 2021-22 GAG)	Balance to be held in Transition Fund in Central Services
RMGS			
RPS			
TPS			

The Process for Schools to request use of the Reserves

Headteachers to complete the attached Business Case Template setting out the requirement.

Approved: 29/09/2022

Next Review: July 2023

## RMET Reserves Policy Business Case Template

This template should be used for all new projects and any requests to introduce new staffing posts to the school/Trust

<b>School</b>	
<b>Date</b>	
<b>Submitted by</b>	
<b>Project Title</b>	

### The Project/Objective/Initiative/Staffing

In bullet points describe the problems this project aims to solve or the opportunity it aims to offer.

### Background

In bullet points describe the current situation:

### Limitations

List what could prevent the success of the project, such as the need for expensive equipment, bad weather, lack of specialist training etc:

### Approach/Implementation

List what is needed to complete the project and include a timeline of events:

### Justification/Impact

In bullet points, list the benefits that the project will bring to the organisation, if implemented:

### Finance/Costings

Detailed costings to include financial impact for current and future years, must show affordability.

<u>Recommended Quote Costing</u>	<u>Impact on Reserves and 10% GAG</u>	<u>Reserves Spend to Date</u>

<b>Date</b>	
<b>Authorised by</b>	
<b>Title/Role</b>	