



# Warrington Primary Academy Trust

Reserves Policy

Ratified: April 2022

Next Review Date: April 2024

## Policy Responsibilities and Review

Policy type:	Trust Wide
Guidance:	This policy uses guidance from the EFSA
Related policies:	<ul style="list-style-type: none"> <li>Financial Regulations</li> </ul>
Review frequency:	Biennially
Committee responsible:	Resources Committee
Chair of Trustees signature:	Chris Forrest
Changes in latest version:	Date changes

## Contents

1. Introduction.....	3
2. Reserves .....	3
2.1 Unrestricted Reserves .....	3
2.2 Restricted Reserves.....	4
2.3 Pension Reserve .....	4
3. Reserves Contributions .....	4
3.1 WPAT reserves.....	4
3.2 Sinking Funds - buildings .....	4
3.3 Sinking funds – named facilities.....	5
3.4 Restricted Revenue Reserves .....	5
3.5 ICT refresh .....	5
3.6 Specific Capital Projects.....	5
4. Reserves levels.....	5
5. Academies in deficit.....	6
6. Academies joining the Trust.....	6
7. Expenditure against reserves balances .....	6

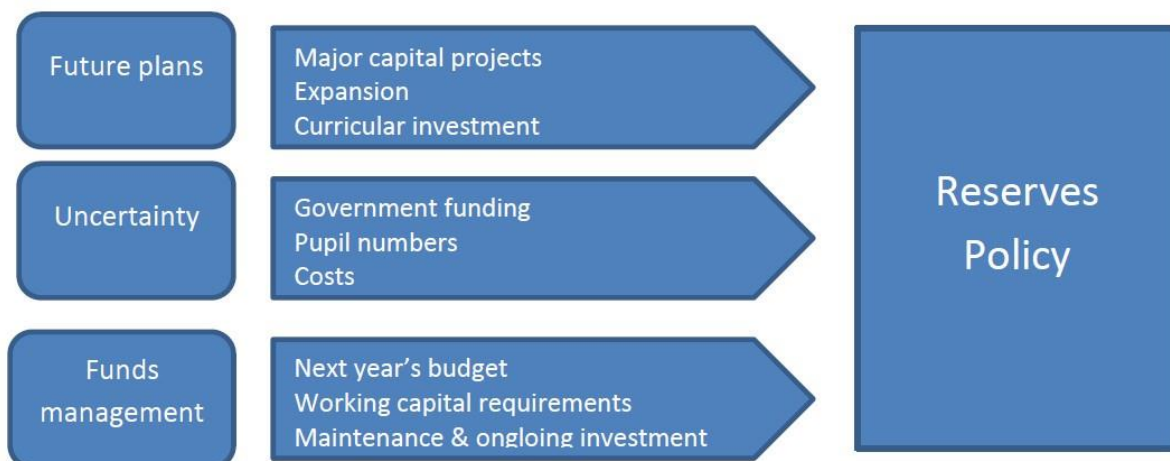
## 1. Introduction

Warrington Primary Academy Trust (WPAT) has established this Reserves Procedure to protect its activities by providing financial buffers against an unpredictable environment and to make sufficient provision for future cash flow requirements and capital procurement. The procedure also provides the framework for future strategic planning and decision-making. The development of an effective reserves policy will restrict the impact of any risk upon the continuing operations of WPAT.

This procedure and the establishment of reserve targets should be based upon an annual risk assessment of the internal and external operating environment.

The policy takes into account the Academy Trust Handbook and guidance from the Charity Commission. The Charity Commission reminds Trustees that:

- Charity law requires any income received by the Trust to be spent within a reasonable period of receipt.
- A good Reserves Procedure takes into account the Trust's financial circumstances and other relevant factors.
- It is good practice to monitor the level of reserves throughout the year.



## 2. Reserves

Reserves are the representation of the cash balance 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.

### 2.1 Unrestricted Reserves

Unrestricted reserves are derived from income funds, grants or donations that can be spent at the discretion of the Trustees in furtherance of any of the Trust'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 legally restrict the Boards discretion to spend the fund. Unrestricted reserves will be achieved through operational efficiencies and any trading activities undertaken by the Trust.

## 2.2 Restricted Reserves

Restricted reserves are mainly derived from government grant funding through the EFA (Education Funding Agency) but may also include other grants or donations. Restricted reserves must be used in accordance with the limitations outlined in the original funding (in the case of EFA funding, this is as detailed in the academy's funding agreement).

## 2.3 Pension Reserve

The risks surrounding the Trust's pension liability should be taken into consideration. The presence of a pension deficit will result in a cash flow effect for the Trust in the form of an increase in the Trust's pension contributions over a period of years. Trustees will be regularly updated on the ability of WPAT to meet the required pension contributions from projected future income without significantly impacting upon its planned level of activities.

NB. The above relates only to the Local Government Pension Fund administered through Cheshire Pensions as Teachers Pensions are underwritten by the government.

## 3. Reserves Contributions

The Trust is largely funded by grants from the Department for Education, the use of which is regulated by its Funding Agreement. WPAT expects to use funding received from the Department for Education in the accounting year for which it is given, with the following exceptions, in order of precedence:

### 3.1 WPAT reserves

In order for the Trust to be able to fulfil its obligations to its existing academies and assist those in a deficit situation as well as plan for future activities, it is essential to carry a central reserve. WPAT academies are therefore expected to contribute 0.5% of grant income for this purpose.

### 3.2 Sinking Funds - buildings

WPAT is committed to maintaining its facilities over the lifetime of its assets. As a result of this, each academy is mandated to have clear maintenance programme in place. As part of this strategy academies are expected to set aside funds to cover "life cycle costs" for all critical elements in their buildings and other facilities, in the form of an annual allocation of at least 1% of grant income plus all of the DFC to repairs and maintenance of their premises.

### 3.3 Sinking funds – named facilities

Trustees should consider where there are specific assets in academies which have a limited useful life and build a sinking fund to replace them. One example of this would be all weather sports pitches. The annual contribution towards these funds should be assessed each year by the Resources Committee and will depend on the condition and replacement value of the asset.

### 3.4 Restricted Revenue Reserves

WPAT academies are expected to have a minimum of 1% of their previous years grant income held back in revenue reserves. This is to provide for any exceptional expenditure which may occur in the following budget year such as high levels of staff sickness.

### 3.5 ICT refresh

The ICT provision in our academies as a key part our students' learning. Academies should designate a fund to replace equipment at the end of its useful life. This is not a fixed amount but should be determined by the academy each year in respect of its own particular ICT requirements. Each academy's plan must be approved by the Trust IT Champion to ensure that economies of scale are maximised.

### 3.6 Specific Capital Projects

Where academies have identified the need to invest in specific capital projects they may set aside funds to do so.

Item 3.1 is held centrally by the Trust on behalf of the academies but is not designated to specific academies; items 3.2 – 3.6 are designated to each academy. Grant income is defined as all EFA and local authority funding with the exception of Pupil Premium and Sports Premium. The above contributions are over and above the annual Shared Services Fee (top slice) which will always take precedence over any contribution to reserves.

In addition to reserves which are generated from unspent grant income, the Trust is also seeking to build up unrestricted reserves from income derived through lettings, interest and donations. These reserves will be used to contribute further to the educational activities of the Trust. Income derived through sports, lettings and catering will be retained by the academy.

## 4. Reserves levels

All reserves sit at Trust level but can be designated as described above. Reserves will be expended at the discretion of Trustees according to academy investment and capital maintenance plans, which should be detailed each year under the headings in section 3.

It is however the procedure of the Trust that at no time will the level of total reserves fall below the equivalent of the total Trust payroll for one month. Total reserves are measured as the opening funds plus the surplus for the period. Each school has a target to maintain a

minimum of 5% of its total resources in reserves working towards an 8% carry forward inclusive of the percentages contained within this report.

In light of charity law referred to in section 1, Trustees should ensure that there are plans to spend reserves over and above this level, within a reasonable time frame.

## 5. Academies in deficit

Where an academy has no alternative but to set a deficit budget it may not be able to contribute any or all of its commitments as detailed in 3.2 – 3.6 above. Trustees should take into account the specific circumstances leading to a deficit position at the time the budget is set.

An academy with an in-year deficit draws on the Trust's reserves to finance this deficit. The Trust therefore expects the academy to repay this amount into the Trust's reserves the following year, this repayment taking precedence over all other reserves contributions. At Trustees' discretion, this repayment may be spread over more than one year.

## 6. Academies joining the Trust

Schools joining the Trust upon conversion to academy status or academies joining the Trust may bring in accumulated reserves. In the spirit of collaboration and collective responsibility, the Trust can make a levy to central WPAT reserves of 15% of the school's unrestricted reserves, after specific designations, at the point of conversion in such cases, thereafter reserves should be designated in accordance with 3.1 – 3.6. This can apply retrospectively to schools that have already joined the Trust.

## 7. Expenditure against reserves balances

Expenditure that draws on reserves is subject to the same purchasing authority levels as contained within the Trusts Financial Regulations. In order to ensure a balanced and equitable approach to the expenditure of reserves across the Trust, spend will generally only be authorised when approved in advance by the Resources Committee. However, reserves can be used in circumstances where a school has to meet statutory responsibilities, without prior approval from the committee.

All expenditure against reserves will be reported to the next Resources Committee Meeting and a projected end of year balance provided.