



Astrea Academy Trust
INSPIRING BEYOND MEASURE

Astrea Reserves Policy 2023/24

Date	September 2023
Written by	CFO
Adopted by Trustees	July 2023
Review Date	July 2024, then annually upon publication of the Academy Trust Handbook

Purpose

Astrea Academy Trust is expected to create contingency reserves from their annual GAG funding or other income. During the early years of the Trust, GAG funding levels create little opportunity to achieve a surplus however it is the Board's intention to ensure financial controls which will deliver surplus through joint procurement, economies of scale and additional income generation.

The purpose of this policy is to update the requirement for a revenue/capital reserve within Astrea Academy Trust in order to ensure development plans and strategic long terms aims are achieved. The reserves held are intended to carry forward a prudent level of resources designed to meet the long-term cyclical needs of renewal and any other unforeseen contingencies.

This policy sets out how much the Trust needs to hold in reserve and why, how and when the reserves can be spent and how often the reserves policy will be reviewed.

Principles

The following principles underpin this policy for the Trust:

1. Funding is passed from the DfE via Astrea's bank account to academies, through GAG and other grant funding, less any agreed budgeted or re-forecasted contribution. The retained cash is managed on behalf of the academies in accordance with the principles outlined in this policy, ESFA guidance and charity commission guidance CC14.
2. The Principals, with support and challenge from Trust leadership, central and finance teams, will develop an expenditure profile to deliver curriculum, teaching and learning needs, and any supporting services required by schools.
3. Academy budgets will be submitted each year and signed off by the Trust Board, via the Executive Board and Finance and budget Committee, in accordance with the annual financial planning calendar (as outlined in the Scheme of Delegation and Financial Procedures Policy). Re-forecasts in year at the end of Term1 and Term2, and at other relevant points
4. Monthly reporting of academies' financial results will be monitored and challenged throughout the year by Finance Managers and the CFO with Regional Directors, Executive to ensure academies are on target to deliver their agreed budget/ revised forecast.
5. The schools are targeted, through the CLFP GAG pooling budget approach to break even each year. The Trust will still monitor school financial performance on the traditional "cash surplus/deficit" basis, but will target principals based on GAG allocated to cover direct school costs, on the break even approach to budgetary control. Excess funds after the allocation of GAG to schools will become part of the Trust central reserves.
6. Reserves of the Trust are considered to be funds that are deployed at the discretion of the Executive Board with appropriate Board approval, and within the Trust's scheme of delegation.
7. In year surplus monies can be deployed at the discretion of the Executive Board based on Astrea's Strategic Priorities, an assessment of local need, and in line with the Astrea Value Partners.
8. Only in exceptional circumstances will the Trust be allowed to use reserves to support a short term deficit. A clear timing and action plan to bring schools out of deficit is required

prior to approval. This must be approved by the Trust Board.

9. The Trust has a fiduciary responsibility to carry sufficient free reserves to:
 - a. manage potential future **financial risks** as a result of:
 - **structural deficits**: maintaining schools with historic and/or structural deficits whilst executing robust deficit recovery plans; and
 - **growth**: providing working capital and short-term deficit funding for new schools joining the Trust. Typically, new primary and secondary schools joining the Trust need bridge funding for a period of 1-2 years of, on average, **£50k for a primary** and **£500k for a secondary** transition school.
 - b. meet future capital requirements (e.g. building repairs, IT infrastructure) where it is anticipated that there may be a shortfall against future eligible capital funding, such that free reserves will need to be drawn upon to meet the strategic long-term capital plans of the Trust. Where a shortfall in capital funding is identified, the Trustees have the discretion to **designate** free reserves against this future funding requirement. The recommendation is to allocate an overall amount each year, from retained reserves brought forward, against which additional in year approval is required through the capital review board, which meets each month.
 - c. provide the Trust with a buffer of **general reserves** to be drawn down in times when income is disrupted or decreased, or costs are increased unexpectedly, such that any given buffer will allow the Trust to continue to operate without material impact to educational outcomes or the Trust's pupils or staff.
 - d. The appropriate target level of reserves in any given financial year is reviewed annually by the Trustees in accordance with the calculation provided in Annex 1.
10. The Trust also has a responsibility to the beneficiary that reserves are not excessive and as such would represent an educational risk to maximising the educational outcomes of the Trust's pupils. The Trust therefore needs to balance financial risk and educational risk and believes that setting a range of between 3% and 8% of GAG is a reasonable target range to balance both of these risks. The additional headroom gives more flexibility to manage year on year changes and to take a longer term view than just 12 months. This will allow more reserve to cover unexpected external crises (eg pandemics).

Resolving Disagreements

Where a Principal believes that the academy has been unfairly treated, he or she should submit a case in writing to the Executive Board for consideration. This case must set out the grounds on which the Principal feels that the arrangement is unfair in the circumstances and propose a variation. The Executive Board may recommend to the Finance, Risk and Audit Committee that:

- a. The arrangement should stand; or
- b. A variation should be granted.

The Finance and Budget Committee shall have regard to the advice of the Executive Board and may approve or reject the request for a variation. The Committee's decision shall be the Trust's final position.

A Principal may appeal the decision to the Secretary of State, through the ESFA.

Annex 1: Reserves target calculation

Target reserves = A + B + (C x £50k) + (D x £500k) + E + F

Where:

A = Financial risk: Gross budgeted deficits

B = Financial risk: Gross surpluses of schools with active deficit recovery plans

C = Growth: Number of primary schools expected to join the Trust within the next 12 months

D = Growth: Number of secondary schools expected to join the Trust within the next 12 months

E = Designated funds: where future shortfall in capital funding has been identified and Trustees have earmarked free reserves against this shortfall

F = General reserves buffer to enable longer term view

Illustrative example:

Target reserves = £500k + £350k + (5 x £50k) + (1 x £500k) + 0 + £1m = £2.6m

Where:

A = Gross budgeted deficits = £500k

B = Gross surpluses of schools with active deficit recovery plans = £350k

C = Number of primary schools expected to join the Trust within the next 12 months = 5

D = Number of secondary schools expected to join the Trust within the next 12 months = 1

E = Designated funds where future shortfall in capital funding has been identified and Trustees have earmarked free reserves against this shortfall = nil

F = General reserve target = £1m