

Reserves Policy

RIDGEWAY EDUCATION TRUST

Approved by the Trust Board on 08 December 2020

Review by: December 2021

RESERVES POLICY

Having sufficient reserves is an essential part of the Trust capacity to handle financial risks. It gives the Trust and its schools sufficient resilience to both deal with emergency situations such as systems failures or unexpected cash flow difficulties. The nature of school funding minimises cash flow risk, as funding from government is rarely withheld or delayed. The schools receive funding monthly and pay staff after we receive the monthly income so, if the schools are setting a break-even or in year surplus budget the monthly funds received should always be greater than the monthly payroll. Where annual deficit budgets are set the Trust will need to be confident it has sufficient reserves set aside, and cash balances held in the bank on a monthly basis, to manage any net monthly draw on cash.

The Trust will hold sufficient reserves to give it a buffer to deal with unforeseen situations (e.g. major mechanical, electrical or IT failures or critical incidents) and to enable restructuring of school budgets where necessary without the prospect of going into a deficit reserve position and the need to apply for additional financial assistance from the ESFA. Having a minimum prudent level of reserves is an essential part of the MAT capacity to handle financial risks, which include the impact on pupil numbers of other new schools in the area.

Reserves for each Trust school are managed separately with oversight from the Trust Board and its Finance & General Purposes Committee. No additional central trust reserves are held routinely unless agreed otherwise by the Trust through its budget setting processes.

Following review, it is considered reasonable to set **overall Trust levels of reserves** at a minimum prudent level of 4.5% of GAG. This equates to £569k based on 2020/21 GAG.

Whilst the Trust priority is to ensure its overall level of reserves are sufficient to guard against its risks an indication of the distribution across its schools based on different methods is set out below.

	Didcot Girls School	St Birinus School	Sutton Countenay (CofE) Primary School	Central Trust	Total	Notes
£ figures are £,000						
Revenue Reserves as at 31/8/19	£251	£403	£113	£25	£792	
Estimated Revenue Reserves as at 31/8/20 (period 11)	£327	£279	£117	£0	£723	Adjusted for estimated earmarked revenue reserves
Estimated Revenue Reserves as at 31/8/21 (per July 2020 Budget Plan)	£289	£233	£52	£0	£574	
GAG Value 2020/21	£7,428	£4,542	£670		£12,640	
4.5% / £569k distribution	£334	£204	£30		£569	
% of GAG	4.50%	4.50%	4.50%		4.50%	
Indicative Monthly GAG Funding	£619	£379	£56		£1,053	
Monthly pay based on 2020/21 budget (excl. agency)	£611	£343	£67		£954	Includes Central apportionment
£569k distribution	£365	£204	£40		£569	
% of GAG	4.91%	4.50%	6.00%		4.50%	

The key determinant of the level of reserves held at any one time however shall always be the risks faced by the school and wider Trust at any one time. As reserves are held in order to manage risks there may be occasions when it is necessary to call on reserves and operate below the minimum prudent level set in this policy. When this is the case it will be important for the Trust to agree a timeline and plan to restore reserves to that minimum prudent level.