



# EMMAUS CATHOLIC MAC

## Reserves Policy

|                                     |                             |
|-------------------------------------|-----------------------------|
| <b>Date approved by Directors:</b>  | 28 <sup>th</sup> March 2022 |
| <b>Board Review Date:</b>           | March 2023                  |
| <b>Body Responsible for Review:</b> | Resources Committee         |



## **Commitment to Equality:**

We are committed to providing a positive working environment which is free from prejudice and unlawful discrimination and any form of harassment, bullying or victimisation. We have developed a number of key policies to ensure that the principles of Catholic Social Teaching in relation to human dignity and dignity in work become embedded into every aspect of school life and these policies are reviewed regularly in this regard.

### **1. Introduction and background**

- 1.1 Emmaus Catholic Multi Academy Company 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-and-reserves-cc19> and the Academies Financial Handbook.
- 1.2 The Company is ultimately responsible for the allocation of resources to deliver the vision of the MAC. Within this context the Board delegates responsibility for the day to day management of agreed finances and reserves to the Local Governing Body as outlined in the scheme of delegation and within the constraints of budgets approved by the MAC.
- 1.3 The Local Governing Body is accountable to the MAC Board to maintain the level of reserves as outlined in this reserves Policy and to obtain permission from the MAC Board, via the Resources and Audit Committee, 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 (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 donor 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 Emmaus Catholic MAC 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 MAC; 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 the MAC 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 Resources 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 MAC 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 the MAC 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 the MAC is going to achieve the desired level or range of reserves; and
- How often the Reserves policy is reviewed.

9.2 The Resources and Audit Committee will monitor each school's budget against actual expenditure together with the level of reserves and will hold the school and its Local Governing Body to account where they fall into deficit.

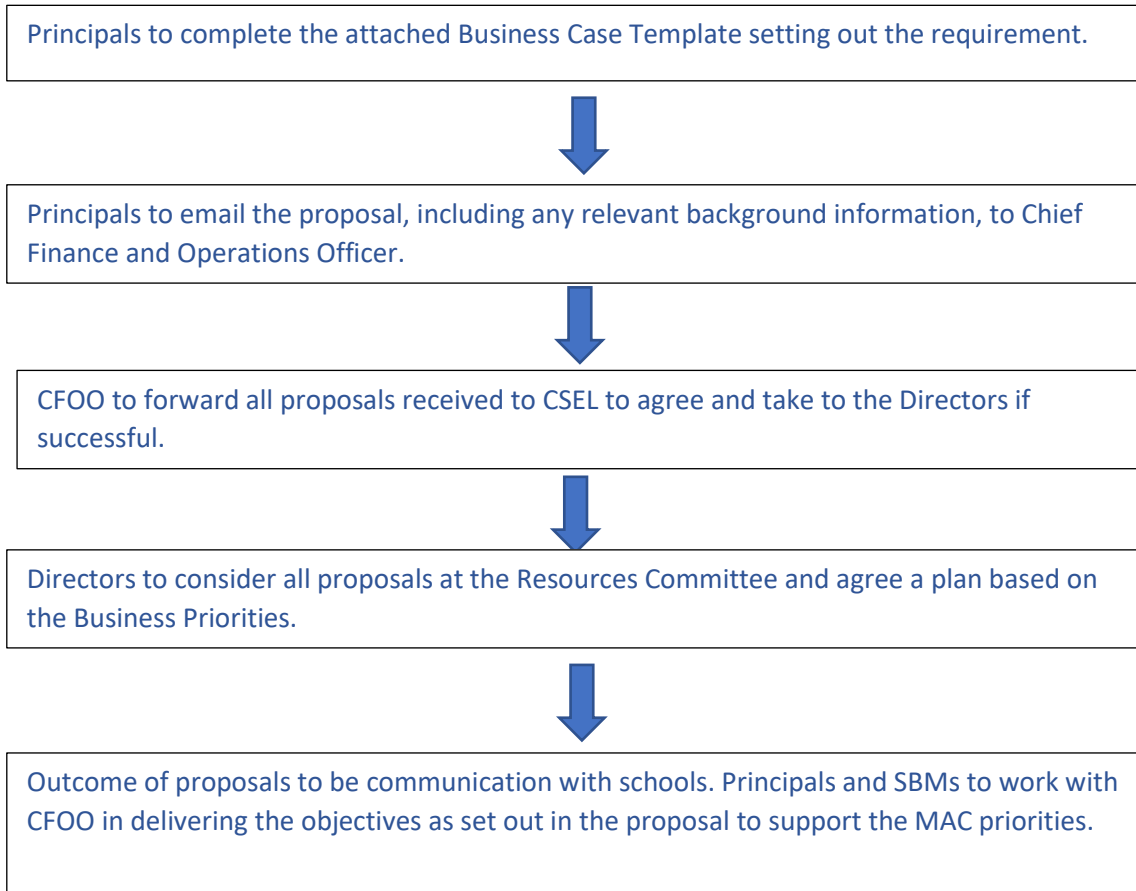
## 10. Pensions Liabilities

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 Emmaus catholic Multi Academy 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 31.08.21 | 10% Required Reserves Level (based on 2020-21 GAG) | Balance to be held in Transition Fund in Central Services |
|-------------------------|---------------------------------|--|---|
| Hagley                  | 972,263                         | 523,007  | 449,256   |
| Our Lady of Fatima      | 249,459                         | 88,889   | 160,570   |
| St Ambrose              | 243,180                         | 80,240   | 162,940   |
| St Joseph's             | 227,859                         | 83,497   | 144,362   |
| St Mary's               | 475,067                         | 88,883   | 386,184   |
| St Wulstan's            | 234,451                         | 69,533   | 164,918   |
| St Francis Xavier       | 389,196                         | 97,164   | 292,032   |
| St Gregory's            | 238,465                         | 103,883  | 134,582   |
| St Philips              | 643,734                         | 104,778  | 538,956   |
| Our Lady and St Huberts | 710,457                         | 147,145  | 563,312   |
| Central Services        | 189,574                         | 0  | 189,574   |
| Total                   | 4,573,705                       | 1,387,019  | 3,186,686   |

### The Process for Schools to request use of the Reserves





**BUSINESS CASE TEMPLATE**

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

|               |  |
|---------------|--|
| School        |  |
| Date          |  |
| Submitted By  |  |
| Project Title |  |

**THE PROJECT / OBJECTIVE / INITIATIVE / STAFFING**

In bullet points, describe the problem this project aims to solve or the opportunity it aims to develop

**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 special 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 this project will bring to the organisation, if implemented.

**FINANCE / COSTINGS**

Detailed costing 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> |
|                                  |                                       |                               |

Purchase requisitions are to be raised for all academic purchases

Requisitions up to £10,000 can be authorised by the Principal

Requisitions over £10,000 can be authorised by the Principal in the first instance then must be approved by the CFOO / CSEL

Requisitions over £25,000 require approval by the Principal and Chair of the Local Governing Body (LGB) before being passed to the MAC AO / CFOO for resources approval.

Requisitions outside of budget must be approved by the CFOO as affordable, prior to any case being submitted to LGB or Resources Committee

|               |  |
|---------------|--|
| Date          |  |
| Authorised By |  |
| Title / Role  |  |