

## **BASE Academy Trust Reserves Policy**

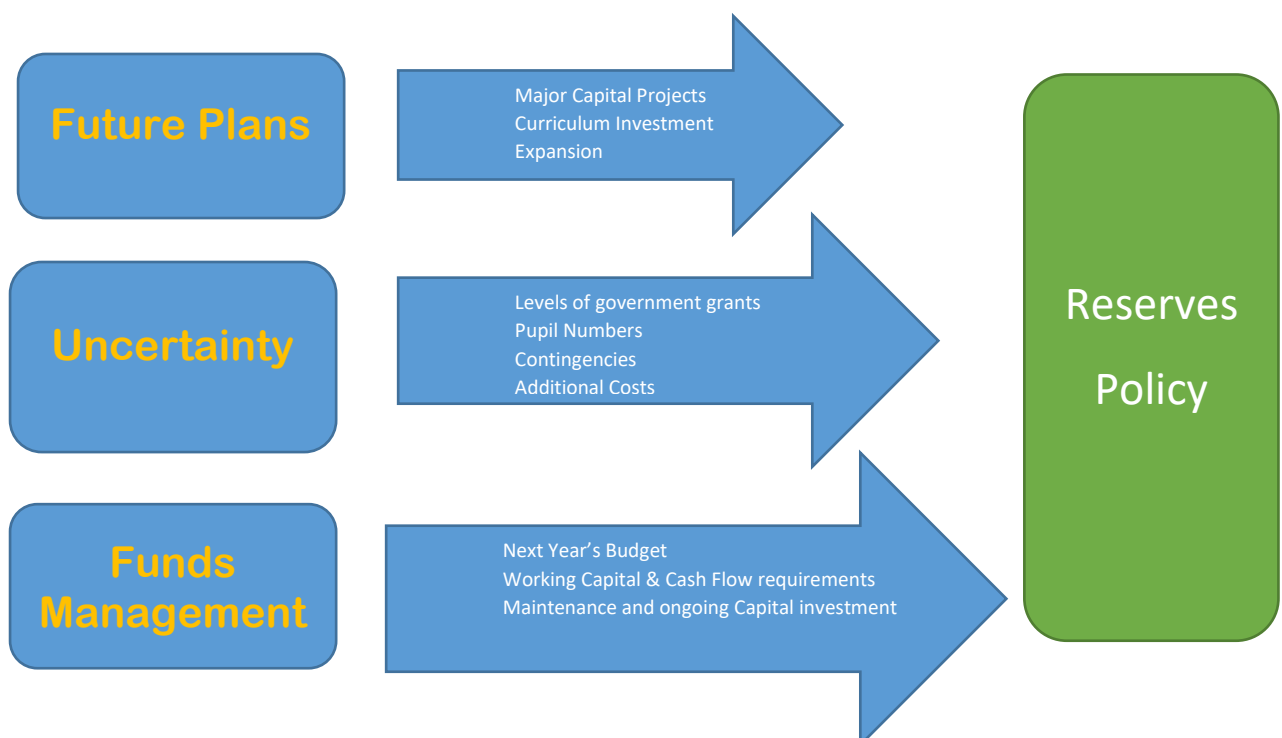
**2023-2024**

### **1. Introduction**

- 1.1 Where reserves are held, it is a requirement of the charity accounting regulations that charity trustees must state their reserves policy in their annual report. Further details may be found in - Accounting and Reporting by Charities: Statement of Recommended Practice 2015, commonly referred to as the Charity SORP. BASE Academy Trust, as an exempt charity, must comply with these regulations.
- 1.2 Guidance on reserve policies and their reporting requirements is contained in the Education and Skills Funding Agency's (ESFA) annual Academies Accounts Direction.

### **2. Purpose**

- 2.1 The purpose of the reserves policy for the Trust is to ensure the stability of the Trust and its schools. The aim is to protect its operations and have the ability to adjust quickly to financial circumstances, such as large unplanned expenditure, cyclical maintenance and working capital requirements.
- 2.2 The Trust holds reserves in order to provide sufficient working capital to cover delays between spending and receipt of grant income, to provide a cushion to deal with unexpected emergencies such as urgent maintenance or long-term sickness where unforeseen costs are incurred and to build up funding for planned future capital projects.



### **3. Definitions**

3.1 Reserves are sums of money held by the Trust to meet future expenditure. These comprise of unrestricted and restricted reserves.

3.1.1 Unrestricted Reserves are derived from income funds that are freely available for general purpose use and can be spent at the discretion of the trustees.

3.1.2 Restricted Reserves are mainly derived from government grant funding through the EFSA but may also include other grants or donations. Restricted reserves must be used in accordance with the limitations outlined in the original funding.

### **4. Reserve Contributions**

In order for the trust to be able to fulfil its obligations to its existing schools and assist those in a deficit situation as well as plan for future activities, it is essential to carry a central reserve.

Schools within BASE Academy Trust are therefore expected to contribute 0.5% of GAG income for this purpose unless in a deficit position.

### **5. Reserve Levels**

Trustees believe that the funding received in any one year should be used to support the children on roll at that time unless there is a specific project, which requires the accumulation of funding over more than one year. We also wish to ensure the stability of our organisational operations and so, reserve levels should enable us to react quickly to changes in financial circumstances, for example a large unplanned expenditure. All reserves sit at Trust level and are reviewed annually. Trustees have determined that the appropriate level of free reserves should be no less than the amount of one month's salary costs, which are currently £318,000.

### **6. Schools within BASE Academy Trust in Deficit**

Where a school has no alternative but to set a deficit budget, trustees should take into account the specific circumstances leading to a deficit position at the time the budget is set. A school with an in-year deficit who draws on the trust's reserves to finance this deficit would be expected to repay this amount into the trust's reserves the following year, this repayment taking precedence over all other reserve contributions. At trustees' discretion, this repayment may be spread over more than one year.

### **7. Schools joining BASE Academy Trust**

Schools joining the trust upon conversion may bring in accumulated reserves. In the spirit of collaboration and collective responsibility, the trust will assess each school's financial position individually and make a recommendation of the percentage of the school unrestricted reserves they will contribute at the point of conversion. At trustees' discretion, this payment may be spread over one year, thereafter reserves should be designated in accordance with reserve contributions.

**Date of next review: September 2024**