



## Central Funds, Reserves & Investment Policy 2023

The Link Academy Trust is a company limited by guarantee and an exempt charity, regulated by the Education & Skills Funding Agency (ESFA). All Members of the Board of Directors are also Trustees of the exempt charity; the term 'Trustee' used in this Policy also means Director. This Policy applies to all academies within the Link Academy Trust.

### Central Funds

Paragraph 5.30 of the Academies Trust Handbook 2023 states that a Multi Academy Trust (MAT) can collect a proportion of funding from all its academies to form one central fund. This practice can enhance a trust's ability to allocate resources in line with improvement priorities and running costs across the Trust's constituent academies. The collection of a portion of an individual academy's GAG funding for a MAT's central fund is sometimes referred to as '*top-slicing*'.

The top-slice will be used to fund the following expenditure on behalf of the academies within the Link Academy Trust.

- School Improvement and Leadership Support including salary costs (CEO, DCEO, Director of Education and Executive Improvement Team (EIT))
- Central Finance Team Salary Costs
- External & Internal Audit Fees
- Legal & HR Fees
- Accountancy Fees
- ESFA Returns
- Management of Payroll and Administration including salary costs (HROM, Senior Administrator and Data Protection Officer (DPO))
- Bank Charges
- Annual actuary re-valuation fees (Initial actuary valuation to be funded from academy Start-Up grant)
- Site management including salary costs (Estates Manager, H&S Coordinator and Maintenance Officer.
- Minibus & Engineering Insurance
- Marketing and promotion costs
- Governance costs including salary costs (Governance Professional, clerks to Local Advisory Committees)
- Overseas School Trip Insurance
- SIMS License Costs (not support costs)
- Finance & Budgeting License Costs (not support costs)
- Catering provision

The Trust reserves the right to amend this policy on an annual basis at the beginning of each financial year. Where appropriate the top-slice may be adjusted to reflect the costs relating to that financial year, the increasing of services provided directly by the Trust or cost savings generated through streamlining of back-office functions.

The Trust will consider the funding needs and allocations of each academy. There is an appeals mechanism which is described below for academies who may feel that they are being treated unfairly by the top-slice. Any funds remaining at the end of the financial year are retained and carried forward to the new financial year.

Prior to a new financial year, individual academies will be issued with a budget statement that will include the funds to be retained by the Trust. The academies then have 10 working days to appeal if they feel they are being unfairly treated.

The Trust's appeals process is:

- The constituent academies have 10 working days from the issuing of a budget statement from the Trust to the academy to appeal.
- Appeals should be made in writing in the first instance directly to the CEO who will consider the appeal and notify the academy of their decision within 10 working days of receipt of the written appeal.
- If the academy is dissatisfied with the decision from the CEO, they are entitled to appeal against this to the Board of Trustees.
- A group of three Trustees, minimum, from the Board will investigate the original appeal from the academy and come to a decision and advise the academy accordingly.
- If upon this decision from the Board, the academy is still dissatisfied with the outcome, they are entitled to appeal further to the ESFA. This is stage three and the final stage in the appeals process. The ESFA's decision is final and can result in the pooling provisions being dis-applied.

## **Reserves**

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. The Link Academy Trust (the Trust), as an exempt charity, must comply with these regulations. Guidance on reserve policies and their reporting requirements is contained in the ESFA's annual Academies Accounts Direction.

The purpose of holding adequate reserves is to ensure the financial stability and sustainability of the Trust and individual academies' operations, to protect it so that it has the ability to adjust quickly to financial circumstances, such as large unplanned expenditure, cyclical maintenance and working capital requirements.

Whilst it is not mandatory to hold reserves, it is generally considered good business practice to do so. 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.

## **Unrestricted Reserves**

Unrestricted Reserves (including Designated 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 charitable objectives.

If part of an unrestricted income fund is earmarked for a particular project it may be designated as a separate fund, but the designation has an administrative purpose only, and does not legally restrict the Trust's discretion to spend the fund.

Unrestricted Reserves will be achieved through operational efficiencies and any trading activities undertaken by the Trust. Unrestricted Reserves are generally defined as funds after excluding:

- endowment funds (permanent & expendable);
- restricted funds; and
- funds that can only be generated on the sale of fixed assets used for charitable purposes.

### **Restricted Reserves**

Restricted Reserves (including Designated Reserves) may be restricted income funds, grants or donations that are spent at the discretion of the Executive Leadership Team in accordance with the Scheme of Delegation and in furtherance of some particular aspect(s) of the charitable objectives of the Trust or where the funds or assets are required to be invested or retained for actual use, rather than spent.

Restricted Reserves are only available for expenditure once the Trust has met its commitments and other planned expenditure and are in accordance with the limitations outlined in the original funding.

Restricted Reserves also are inclusive of capital items which are defined as Restricted Fixed Asset Reserves. This reserve is specifically held for capital purposes in furtherance of some particular aspect of the charitable objectives of the Trust.

All Restricted Reserves will be generated through improved operational efficiencies and effective manpower planning and resourcing in addition to a proactive programme to identify relevant sources of grant funding.

### **Designated Reserves**

Designated Reserves are reserves that have been set aside at the discretion of the Board of Trustees in furtherance of any of the Trust's charitable objectives. Where a designation has been identified, the purpose and timing of any expenditure must be explained.

The target range for any Designated Reserve will be determined by the nature of the designation itself; the reserves will be derived from unrestricted and restricted funds where applicable.

### **Pension Reserve**

The risk surrounding the Trust's pension liability has been taken into consideration when calculating the target ranges. The presence of a pension surplus or deficit does not constitute an immediate liability or realisable asset and does not mean that the equivalent amount is already committed or no longer available to the Trust.

The presence of a pension surplus or deficit will generally result in an increase or decrease in employers' pension contributions over a period of years. The Trust is confident that it can meet the required pension contributions from projected future income without significantly impacting upon its planned level of activities.

The Trust continues to calculate its reserves without setting aside a Designated Reserve to cover the pension liability.

## **Management of Reserves**

The minimum target for the unrestricted and restricted reserves combined should be equal to 6 weeks operating costs plus any additional payroll costs resulting from new schools joining the Trust during the year.

The movement of funds to and from the reserves identified (other than movements from restricted to unrestricted) above will be at the discretion of the Board of Trustees, or the appropriate sub-committee where delegated authority has been provided by the Board of Trustees, subject to the restrictions which will remain attached to Restricted Funds (Revenue and Capital) and their use.

The movement of funds from restricted to unrestricted must be subject to obtaining the appropriate consent from the original donor of the funds.

## **Pooling Reserves**

The Trust's policy is to share between academies the cumulative reserves held in the Central Fund. There is no impact upon academies from this policy; this reflects both the existing legal position, as all reserves are legally those of the Trust, and existing practice.

The rationale for this approach is that without pooling reserves the Trust could not function, as academies with negative reserves could not access required resources. The Trust has in practice adopted pooled reserves for many years in order to function and to meet the prime financial goal: to remain financially sustainable.

Pooling reserves simplifies reporting of reserves within various submissions to the ESFA, reporting only the aggregate position, not each academy's position. In the former position (where cumulative GAG reserves were not shared between academies), it had to be stated within the published audited accounts the reasons why certain academies are in cumulative reserves deficit. Pooling reserves eliminates the need to do this.

Pooling of reserves relates to only the end of year surpluses and deficits arising.

The Central Fund can be used to meet the normal running costs at any of the Trust's constituent academies and the Central Function. This Central fund is administered by the Executive Team and monitored by the Board of Trustees. The Trust will centrally hold all reserve funds, with the exception that management of funds that have specific restricted reserve conditions.

Upon joining the Trust, the reserves associated with the joining school, whether positive or negative cumulative reserves, will become part of the Trust's reserve resource and remain so whilst the school is a member of the Trust.

On leaving, the academy's reserves will be deemed to be £nil.

## **Reporting and Monitoring Reserves**

The Board of Trustees are responsible for ensuring that the reserves are maintained and are used only as described in this policy. Upon approval of the use of the funds, the academies will maintain a record of the use of the funds. The F&GP Committee should regularly monitor the progress of reserves.

## **Financial Investment**

Due to the nature of the funding cycle, the Trust may at times hold large cash balances (School holiday periods) which may not be required for immediate use. The Trustees have authorised the opening of additional short term bank investment accounts to take advantage of higher interest rates. No other form of investment is authorised.

This Policy is reviewed and approved by the Finance and General Purposes Committee on a two-yearly cycle.

*Approved by the Board of Trustees: October 2020*

**Reviewed and approved by F&GP: 24<sup>th</sup> November 2023**

**Next Review:** Autumn 2025