



Bishop Bewick Catholic Education Trust

Policy Title:	Budget Forecasting, Monitoring and Reserves Policy
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Approved by:	Trust Board
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Applies to:	All school & Trust settings

Change log:

Version	Author	Date	Approved by	Change
1	COO	Mar 2021	Trust Board	Original
1.1	COO	Dec 2022	Trust Board	Renewed & minor updates
1.2	COO	Mar 2023	Trust Board	None
1.3	CFO	Mar 2024	Trust Board	Redrafted to add clarification to reserve definitions and target levels; how individual school budgets & reserves are managed.



Budget Forecasting, Monitoring and Reserves Policy

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Context

This policy should be read in conjunction with the Bishop Bewick Catholic Education Trust:

- Values and Mission
- Scheme of Delegation
- Memorandum of Understanding
- Finance Handbook

Introduction

The work of Bishop Bewick Catholic Education Trust (BBCET, or “the Trust”) is underpinned by our values and principles of solidarity, subsidiarity, and pursuit of the common good. All leaders and staff within BBCET share in the collective responsibilities for the future sustainability of the Trust as a whole, and of the individual schools within the Trust. All schools benefit from being part of the BBCET. At times the financially stronger schools will be called upon to support those that need support.

Policy Aims

- To ensure each individual school within the Trust recognises their individual and collective responsibility to manage resources effectively and takes all reasonable action to enable the setting of a balanced budget and the maintenance of appropriate reserves (or “balances”).
- To ensure the Trust as a whole and individual schools in their own context remain financially viable and sustainable as a ‘going concern’¹, by maintaining the necessary level of reserves to meet planned cyclical needs, together with sufficient contingency to respond to adverse changes in financial circumstances.
- To ensure the level of reserves of the whole Trust as a collective, or as individual schools, do not become excessive, thereby safeguard against the risks of government clawback of funds and/or the unnecessary denial of opportunity or support to children who are in education today².

¹ DfE Guidance "Operating an Academy as a Going Concern"

² ESFA guidance states Trusts should use their allocated GAG funding for the full benefit of their current pupils. If a trust has a substantial surplus they should have a clear plan for how it will be used to benefit their pupils, for example a long-term capital project.



Trust Reserves

As a Multi Academy Trust, the BBCET operates as one organisation with one set of financial systems and processes. The BBCET annual report and financial statements include the consolidated financial position of all schools within the Trust.

This consolidation, means a Trust's reserves can be viewed as being composed of the following elements:

Reserve category		Notes
A	Individual school balances	These are the cumulative balance of each school's unspent unrestricted funds, plus the balance of unspent general annual grant ("GAG"). They may at times be referred to as the school's "cumulative balance". They may be uncommitted ("free"), or held for a specific future school purpose/project.
B(i)	Centrally held uncommitted, or "free", reserves	These reserve funds are centrally held (not associated with any individual school) and provide the organisation with a contingency to respond to short term adverse events promptly and effectively. They may be planned and created as part of the budget setting process, or accrue from savings or efficiencies on the central Trust budget.
B(ii)	Centrally held "Strategic reserves"	These are centrally held funds, identified during the budget setting process, as being required to meet a specific essential future project or commitment.

The Academies Accounts Direction sets out what information trusts must include about their reserves policy in their annual report, in particular the level of reserves identified by the trustees as being appropriate, and the reason for holding reserves. e.g. any amount designated and the reason why.



The appropriate level of BBCET Reserves

The Trust must remain financially viable and each year demonstrate to its auditors and external stakeholders that it is financially sustainable and remains a 'going concern'. As part of this the BBCET is required to hold appropriate reserves as holding such reserves will help ensure cashflow demands and unforeseen pressures or events can be managed effectively.

The Education & Skills funding agency (ESFA) do not require a specific level of Trust reserves³ beyond the fact:

1. they state overall Trust reserves must not be in deficit, and;
2. they should not be "excessive". They will ask for more information from Trusts should the forecast for collective reserves be more than 20% of their total revenue income.

It should be noted Academy Trusts are permitted to pool funding and/or pool school balances should they want to do this. The Trust has considered its options in this respect but has determined these options are not appropriate for BBCET as they are not aligned with the Trust's culture and ethos of delegating decision making and control to individual schools as much as possible (within the limits of the Scheme of Delegation).

The BBCET approach is to:

- allocate the funding it receives for each school in full to each individual school.
- recover a top slice (a "Trust charge") from each school to fund the Trust's central services and costs.
- manage all interest received on bank/deposit accounts centrally (using this to help offset the trust charge to all schools).
- require all individual schools to recognise their individual and collective responsibility to manage resources effectively and operate within the budgetary freedoms and parameters set out in this document and all other BBCET policies and procedures.

³ Reserves (whether assets or liabilities) associated with the Local Government Pension scheme are not included in the ESFA's consideration of reserves.



As part of the budget setting process for the year ahead, each summer term the BBCET Board will consider the central priorities and projects, projected school and central services costs, and the level of overall reserves within the Trust. With this information considered they will then agree the level of the Trust charge for all schools accordingly. This may result in an increase, or decrease, in the level of Trust charge required for the next financial year. Following detailed financial advice from management, the Trust Board may, on rare occasions, reduce the level of contribution for any individual school according to need and circumstances.

In respect of appropriate BBCET reserve levels, the Trust has determined the following:

Reserve category		Target level
A	Individual school balances	5-8% of incoming resources
B(i)	Centrally held uncommitted, or "free", reserves	Minimum 1% of total BBCET annual turnover (approx. £1M) but always sufficient to ensure A+B(i) is at least 8% of total incoming resources.
B(ii)	Centrally held "Strategic reserves"	Agreed annually as part of the budget setting process and set as required.



Budget forecasting/monitoring and reserves (balances) associated with an individual school

The Academies Financial Handbook requires academy trusts to produce a 3-year budget and to balance for the current year (taking into account carried forward funds). This balanced budget requirement applies to the consolidated Trust as a whole, not to constituent individual schools within it.

The budget forecasting and monitoring process is centrally managed and led by the BBCET's Chief Finance Officer (CFO), but is otherwise regarded as being a partnership between individual school leaders and the BBCET central team.

Each BBCET school must establish and locally agree a budget plan each year that is both affordable and aligns with their needs. However, as the Trust remains accountable and responsible overall, individual schools must follow the BBCET policies, budget setting process and planning assumptions when doing so.

On joining BBCET, each school's cumulative balance was recorded within the accounting system of the Trust as relating to that school. All BBCET schools retain control of their own balance (subject to the conditions outlined in this policy) from that point onwards. It is the Board's view that retaining control and responsibility for their school balance encourages the leadership teams within schools to be creative in terms of income generation, and to be motivated to identify and implement appropriate spending and saving decisions.

Individual schools, in liaison with their Local Governing Body, should prepare their annual budget to ensure that the needs of current pupils are met as effectively as possible, whilst maintaining a cumulative balance equating to 5-8% of their total incoming resources. The Trust Board receive these prepared budget plans in the Summer term and are responsible for reviewing and approving the budget.

As overall financial accountability rests with the Trust, where an individual school is holding, or forecasting to hold, a cumulative balance that is outside of the range 5-20% of their total incoming resources then the BBCET CFO will investigate, inform the Board and



instigate as directed proportionate action to ensure financial stability as soon as possible (as outlined below).

Once the budget plan is agreed, all schools must adhere to this throughout the year and not make new decisions on expenditure (staffing or non staffing) that were not included or allowed for within the budget plan. Should schools experience unexpected in year events that were not included in their original budget and that require immediate expenditure then they should initially seek the advice of the Trust's CFO.

All staff appointments and staff changes in BBCET must be centrally approved to help ensure:

1. Fairness and consistency of grades, working patterns etc across the Trust (as BBCET is the employer)
2. Budgetary control and affordability in the short term and long term
3. BBCET's People Strategy is being followed (e.g. Recruitment, apprentices, induction etc).

The Trust's Chief Operating Officer (COO) is responsible for prescribing the process schools must follow to secure this approval. The approval decision will be made promptly within 5 working days and include the Trust's COO and CFO who will liaise with the school HT and BBCET school improvement team when needed.

Schools must engage openly and cooperatively with the BBCET budget setting and monitoring process at all times throughout the year.

Schools with low or no reserves

It is incumbent upon each school to prepare and propose a budget annually that shows the school to be financially sustainable. Where a school has a cumulative balance that is 5% or lower, or is forecasting to have a cumulative balance lower than 5% within the next year, the school will be regarded as a "financially restricted school".



The Trust will work with the leadership of the financially restricted school to establish a sound financial recovery plan, ensuring the budget situation is rectified and a school balance of at least 5% can be restored as soon as possible. The recovery plan will include input from the Trust's CFO, Chief Operating Officer and Director of Primary/Secondary Learning. The recovery plan's first aim is to restore an in year balance to the school's budget within a 3 year period, or sooner when possible.

Any proposed budget that forecasts a deficit cumulative balance by the end of the next financial year will only be approved by the BBCET Board if all reasonable cost saving interventions and income generating options have been enacted by the school.

Financially restricted schools must cooperate fully with the Trust and these requirements. The Trust may temporarily withdraw the school's budget delegation if the school does not act in accordance with the agreed recovery plan. In such circumstances, with Trustee approval, the Trust's central team will manage the school's budget until financial sustainability is restored and any relevant support/training has been put in place.

Schools with reserves higher than 8%

Whilst holding large balances is preferable to a deficit, we must ensure individual schools do not build excessive balances at the cost of denying opportunity or support to children who are in education today. We need to ensure schools use their resources effectively to support their pupils, but equally not create a culture which encourages frivolous expenditure at a school, just to fall within an ideal target range for balances of 5-8%.

For these reasons the BBCET will not proactively manage, or claw back, individual school balances where they are large.

Schools may have decided to build up significant reserves to fund a specific capital project that requires savings accumulated over several years. e.g. refurbishment/replacement of outside play areas. In these circumstances it would be advisable for schools to have discussed their plans and rationale with their Local Governing committee and recorded this.



Where individual school balances are greater than 20% a school may be required to use these funds first in support of capital projects before accessing school capital allocation grant funding (SCA). This is further outlined in the BBCET Estates Strategy.

Policy Review Date

The BBCET Reserves Policy will be formally reviewed by the Trust Board (or Finance & Resources Committee) every three years.

N.B. This policy is subject to amendment/replacement should it be directed by Trust Members through the Trust's Scheme of Delegation.