

# The Mercian Trust

## Central Funding, Reserves and Appeals Policy

<b>Policy Owner</b>	<b>The Mercian Trust</b>
<b>Date Ratified by Trust Board</b>	<b>October 2022</b>
<b>Date to be Reviewed:</b>	<b>October 2021</b>
<b>Date Adopted</b>	<b>October 2021</b>

## **The Mercian Trust**

The Mercian Trust operates a number of central teams and services on behalf of constituent schools who ensure that together, our Trust continues to develop and improve whilst ensuring compliance with its master and supplementary funding agreements.

The central Trust teams are also accountable for ensuring compliance with the Academies Handbook, tax regulations, HR law, premises, health, and safety statutory compliance. To fulfil statutory duties and to continue to improve, the Trust must ensure constituent academies make a fair combined contribution for the services received (and to ensure the central team can function effectively and efficiently).

In addition, the Trust identifies investment priorities that accelerate the collective development and improvement of constituent schools and prioritises capital plans to be realised in a fair, unbiased way to form a carefully considered programme of works over multi-year periods. While the Academy Trust Handbook allows for the pooling of GAG allocated to Trust schools this is not the approach taken by The Mercian Trust. Rather, schools make a 5% contribution of funding towards the operating of functions and services delivered (or commissioned) by Trust central teams on behalf of constituent schools. This is the primary source of funding for such services, however, where required for specific agreed services, secondary sources of funding are realised from external organisations and/or through agreed charges to each school's delegated budget.

## **Trust Contribution / Central Services Top Slice**

Our Trust receives most of our revenue from ESFA grants. The collection of a percentage of individual schools' funding for a MAT's central fund is sometimes referred to as 'top slicing' or 'Trust contribution'.

For the financial years 2021/22, The Mercian Trust will retain 5% of funding grants received for its constituent schools. This rate will be reviewed annually as part of the budget setting process. The Trust contribution is the primary source of funding for services delivered or commissioned on behalf of constituent schools in the following services, functions, and resources:

- Executive Leadership & Support
- School Improvement / Social Mobility (SEND, Disadvantaged, Welfare)
- Governance and Legal
- Statutory finance services and Control including audit and other statutory returns
- Financial Management and Advice
- School Financial transactions
- Student services
- IT
- Operations
- Apprentices
- Commissioned Professional Services
- School Improvement and wellbeing subscriptions
- Other costs (Premises, consumables etc.)

A services document detailing the services and resources that are included in the Mercian Central Offer will be prepared annually with KPIs for service delivery published and reported on both to Trustees and Local Governors.

The Mercian Trust reserves the right to amend this policy on an annual basis at the beginning of each financial year. Where appropriate the contribution made by each constituent school may be adjusted to reflect the costs relating to that financial year, the increasing of services provided directly by Mercian Central, or cost savings generated through streamlining of business functions. Where specific services not funded through the 5% contribution are provided to schools they will be charged only 'at cost' An SLA will set out what these services are, and an estimated additional

charge will be included in each academy's annual budget plan.

### **Reserves Policy**

The Mercian Trust amalgamates any surpluses realised at the end of each financial year as pooled reserves. This is done to ensure funding provided to constituent schools is directed where it is most needed and to ensure strategic priorities can be accelerated for the benefit of all constituent schools.

The MAT receives most of its revenue from ESFA grants for education. Trustees consider ongoing spending plans as part of annual and medium term financial planning and the need to closely match plans to projected funding is always observed. Trustees also recognise there are risks and uncertainties which may lead to unexpected costs and of the need to accelerate projects and strategic priorities or fund future capital needs that are not covered from capital grants received. Trustees consider it good practice to maintain an appropriate level of reserves to cater for such items, while balancing this with a need not to hold onto reserves for an excessive period.

Reserves will not be used to fund ongoing expenditure within constituent schools or central teams indefinitely.

The Mercian Trust does not pool GAG and consequently, in circumstances where a constituent school is unable to set a balanced in-year budget, reserves may be used to cover this shortfall on a temporary basis only. Any constituent school that sets a deficit in-year budget is required to set a recovery plan, which may include the repayment of reserves that have been used to balance an in-year budget.

### **Reserves Pooling**

The Mercian Trust will consider the funding needs and allocations of each constituent school when setting the annual and medium-term budget. At the end of the financial year, should any schools or services have uncommitted surpluses, these will be pooled to be used where it is most needed to accelerate our collective development and improvement priorities. This may be to support the capital plan, a project or to invest in priorities of the Trust's Strategic Plan.

The allocation of reserves is approved by the Board of Trustees.

#### *Revenue reserves*

These comprise unrestricted and restricted revenue reserves. Since the majority of the MAT's restricted reserves are from education grants and the majority of expenditure is on education, it would be inappropriate to exclude restricted reserves from free revenue reserves.

Trustees believe it is appropriate to maintain a level of free revenue reserves of around 5% of grant income to cater for risks and uncertainties, unexpected costs or shortfalls in income, working capital needs and the potential need for strategic investment of reserves.

#### *Pension Reserve*

The defined benefit scheme reserve has a deficit balance, the effect of which is the Trust pays higher employer contributions over a period of years. These are met from future income. While the deficit will not be eliminated in the short term, there should be no direct impact on free revenue reserves.

#### *Fixed Asset Reserve*

The fixed asset reserve fund reflects funding received for assets of a capital nature, less accumulated depreciation. Capital funding is received from the ESFA annually (as an SCA grant) but this may not be sufficient to cover all the capital needs of our schools. The Trust may therefore be required to fund expenditure out of its free revenue reserves. The Trust will ensure any capital grant funding received in advance of expenditure will be reserved specifically for that project. Trustees have agreed that proceeds from disposal of a specific academy's land & buildings or heritage assets (generally matters subject to approval by the Secretary of State) would be reinvested in the academy to which these assets relate (unless otherwise directed by the Secretary of State). The Board of Trustees will review the Trust's reserves policy annually.

## **Appeals**

Should a Headteacher or Local Governing Body feel their school has been unfairly treated as a result of pooling reserves, the Trust contribution (Top-slice) or any additional recharges they have the right to appeal.

The Mercian Trust appeals process is set out below and is in line with the Academy Trust Handbook 2021:

### **Stage 1**

- Appeals should be made in writing directly to the Chief Executive Officer (CEO).
- The CEO will consider the appeal and notify the academy of their decision in writing within 10 working days of receipt of the written appeal.

### **Stage 2**

- Should the Headteacher / LGB not be satisfied with the response from the CEO, they may escalate their appeal to the Chair of Trustees within 10 days of receipt of the CEO's written decision. The Chair of trustees will consider and consult with the Committee Chairs of Finance & Resources, AIMS and Audit & Risk to consider the appeal. The Chair of Trustees will write to the Headteacher/LGB within 10 working days to communicate the outcome of the appeal. Should more time than this be required (for example where an independent reviewer is commissioned to advise the Chair of Trustees) then an appropriate timeframe for a written response will be agreed with the Headteacher/LGB Chair.
- If, after the above process has been completed the Headteacher / LGB continue to feel their school has been treated unfairly, then an appeal to the Secretary of State, via the ESFA can be made by the Headteacher/LGB Chair.