



# Unforeseen Costs from Reserves Policy

<b>Policy Code:</b>	F19
<b>Policy Start Date:</b>	January 2022
<b>Policy Review Date:</b>	January 2023

**1. Purpose:**

- 1.1 It is the purpose of this document to sit alongside the Capital and Revenue Reserves Policy to ensure the transparency of the Trust's organisational operations, whereby unforeseen costs within an Academy are dealt with in a fair and equitable way.
- 1.2 The Capital and Revenue Reserves Policy is the statutory document and any decision that is considered should, in its entirety, consider the policy in the first instance. Any decision made as a result of this memo document should also be in line with the Capital and Revenue Reserves Policy where the policy will always take precedence.

**2. Scope:**

- 2.1 This document is to be used as a basis for setting out some principles that the Academies within the Trust are recommended to adopt, is an internal document only and supports the detailed Capital and Revenue Reserves Policy that is approved by the Trust Board.

**3. Responsibilities:**

- 3.1 It is the responsibility of the ELT to consider any decisions proposed in line with this document for the spending of the Trust's funds in that it is utilised for the purpose intended and there is probity in the use of public funds.

**4. Principles:**

- 4.1 This memo document takes into account the following principles:
  - 4.1.1 Any decision must also comply with the principles and conditions as set out in the Capital and Revenue Reserves Policy;
  - 4.1.2 Any unforeseen costs that are considered and approved as a result of this document should comply with the Financial Management Policy requirements and the Academies Trust Handbook;
  - 4.1.3 If unforeseen costs are capital in nature, in the first instance, it should be considered if the costs can be met from the SCA fund prior to the Reserves fund;
  - 4.1.4 The proposal of unforeseen costs should be transparent to other Academies within the Trust.

There is an overriding need to ensure that there is value for money if/when approving any unforeseen additional costs from reserves.

This is not regarded as a static memo as circumstances will change with time. Therefore, this memo will be reviewed at least annually in line with the Capital and Revenue Reserves Policy as part of the Trust's schedule of review.

**5. Parameters of Unforeseen Circumstances:**

The following parameters of unforeseen circumstances are considered appropriate for this memo for the Community Inclusive Trust:

- 5.1 Any cost that has become apparent to the school whereby it has arisen prior to

## Community Inclusive Trust – **Unforeseen Costs from Reserves Policy**

conversion or opening (in the case of a Free School) and was therefore not included in the Academy budget.

5.2 Any emergency expenditure in relation to the estate that has arisen for the Academy that:

5.2.1 Historically not been included within the conditions report; AND

5.2.2 Is deemed so excessive that the Academy cannot reasonably be expected to fulfil the cost of the expenditure in-year, e.g. roof replacement due to inclement weather. AND

5.2.3 The cost cannot be met from the SCA fund.

5.3 Any emergency expenditure in relation to the Academy that has arisen as a result of a new Health and Safety risk assessment. Costs in relation to a previous Health and Safety assessment that have not been budgeted for are not covered by this clause – in this case, the Academy would be expected to use virements from other areas within the Academy budget to fund the expense. The only other exception to this would be in relation to clause 5.2.2.

5.4 Any other expenditure in relation to the Academy which is deemed to be unforeseen whose costs are considerable enough that they cannot be met within the existing in-year Academy budget will be considered in line with this memo document.

### **6. Procedure for Utilising Reserves for Unforeseen Expenditure:**

6.1 In order for an Academy to utilise reserves for unforeseen expenditure, the following procedure should be adhered to BEFORE the expenditure is committed. In practical terms, this may be verbal (but followed up with email confirmation from at least 3 members of the ELT, with one of those members being the CFO). The following should then be completed (if not before inception of the cost), then retrospectively, as follows:

6.1.1 Identify the unforeseen expenditure providing details of when it occurred, why it has happened, what has been done to date to attempt to resolve the situation with the Academy, any corrective action already taken, if any;

6.1.2 Provide evidence that this has been discussed with the Head Teacher and the School Operations Manager prior to proposing for reserves to be utilised, explaining why the costs cannot or should not be met from the individual Academy budget;

6.1.3 Provide the timeline required for corrective action to be taken;

6.1.4 Ensure that quotes/tenders etc. as required are prepared and ready to be approved (or are in progress) in line with the CIT Financial Management Policy.

6.2 Where it is deemed that this expenditure has been incurred as a result of an employee's inaction as part of their recognised job description and responsibilities, the CIT Disciplinary Policy may be invoked.

### **7. Approval and Monitoring:**

7.1 Any proposal from an Academy for reserves to be utilised due to unforeseen

circumstances must follow the procedure above before it can be considered for a decision from the ELT.

- 7.2 The ELT will consider the proposal presented and a decision will be carried based on a majority vote.
- 7.3 Where there are not sufficient funds within reserves, in that the reserves level will drop below the minimum required by the Capital and Revenue Reserves Policy, if action is needed to be taken to approve the unforeseen expenditure, the decision will be taken by the Trust Board.
- 7.4 Any decision taken by ELT in this regard is considered final.

**8. Academies Trust Handbook:**

- 8.1 Any employee as part of their role and responsibilities that are referring to this document must also have an understanding and knowledge of the Academies Trust Handbook. If the Academies Trust Handbook differs from these procedures, please bring it to the attention of the Central Finance Team. The link to the Academies Trust Handbook is below.

[https://assets.publishing.service.gov.uk/media/60c8d0318fa8f57ce8c4621e/Academy\\_trust\\_handbook\\_2021.pdf](https://assets.publishing.service.gov.uk/media/60c8d0318fa8f57ce8c4621e/Academy_trust_handbook_2021.pdf)

**9. References:**

- 9.1 CIT Financial Management Policy 2020-21.
- 9.2 CIT Financial Operating Procedures Handbook INTERNAL DOCUMENT ONLY.

**10. External References:**

Academies Trust Handbook 2021.

**11. Amendments to the Document:**

This is the first iteration of this document and as such there are no amendments. Updated in 2021 for changes to the Academies Trust Handbook from Academies Financial Handbook, and changes to take into account the SCA fund which is new to CIT from 2021.