



# Medway Anglican Schools Trust

## Reserves Policy

Date policy last reviewed: \_\_\_\_\_

Signed by:

\_\_\_\_\_ CEO

Date: \_\_\_\_\_

\_\_\_\_\_ Chair of trustees

Date: \_\_\_\_\_

Last updated: February 2022

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## **Statement of intent**

Medway Anglican Schools Trust has developed this policy to protect its operations by creating financial support against an unpredictable environment and to ensure there is sufficient provision for future procurement and cash flow requirements. This policy also aids the framework for future strategic planning and decision-making.

The policy and the establishment of financial ranges are based on an annual risk assessment of internal and external operations, as well the kinds of activities the trust undertakes. The risk to the trust can be summarised as a risk to future funding due to falling pupil rolls, reforms to funding, emergencies, and early teacher retirement or redundancies.

## 1. Legal framework

This policy has due regard to all relevant legislation and statutory guidance including, but not limited to, the following:

- ESFA (2021) 'Academy trust handbook 2021'
- Charity Commission (2016) 'Charity reserves: building resilience'
- Charity Commission (2016) 'Charities and investment matters: a guide for trustees'

This policy operates in conjunction with the following school policies and documents:

- Articles of Association
- Funding Agreement
- Finance Policy
- Conflicts of Interest Policy

## 2. Roles and responsibilities

The board of trustees is responsible for:

- Ensuring the trust's reserves are maintained and used only as described in this policy.
- Identifying when reserves need to be drawn on, so that they understand the reasons for this and can identify any corrective actions that need to be taken.
- Identifying any broader, long-term financial problems that mean the reserves are frequently used or are below the minimum level.
- Acquiring approval from the ESFA for novel, contentious and/or repercussive investments.
- Authorising the transfer of investment funds to an interest-bearing deposit account.
- Ensure value for money when deciding to invest funds.
- Ensuring that exposure to investment products is tightly controlled so that the security of funds takes precedence over revenue maximisation.
- Ensuring that investment decisions are made in the best interests of the trust.
- Maintaining the trust as a going concern.

The finance committee is responsible for:

- Making financial recommendations to the board of trustees.
- Carrying out any other responsibilities in line with the relevant scheme of delegation.
- Adhering to and implementing this policy.

The chief financial officer (CFO) is responsible for:

- Regularly monitoring the trust's reserves and reporting to the board of trustees or the finance committee accordingly.
- Reporting the explanations for any shortfall or excess in reserves.
- Comparing the amount of reserves held with the minimum and maximum limits set out in [section 5](#) of this policy.
- Reporting any actions being taken or planned to bring reserves in line with the minimum and maximum limits.

- Transferring investment funds to an interest-bearing deposit account, with the authorisation of the board of trustees.

### **3. The purpose of reserves**

Reserves will have a specific purpose relating to future spending or covering current and future risks. The purposes for holding reserves will be kept transparent.

Reserves will be held to ensure that unexpected financial events do not cause problems in the current year or cash flow issues, or generate a deficit.

The purposes for holding reserves may include:

- Covering unforeseen emergencies or unexpected expenditure, e.g. a large repair bill.
- Covering unforeseen day-to-day operational costs, e.g. employing temporary staff to cover long-term absence.
- Covering a failure in a source of income, e.g. a grant not being renewed.
- Preparing for planned commitments that cannot be met by future income alone, e.g. plans for a major asset purchase.
- Needing to fund short-term deficits in budget, e.g. funds that may need to be spent before a grant is received.

### **4. Types of reserves**

#### **Unrestricted reserves**

Unrestricted reserves, which include income funds, grants and donations, will be spent at the discretion of the board of trustees in furtherance of the trust's objectives.

#### **Restricted reserves**

Restricted reserves, which may include restricted income funds, grants or donations, will be spent or invested in furtherance of the trust's objectives or assets, or spent where the donor has expressed the nature of expenditure.

Restricted reserves may be endowment funds, where the funds or assets are required to be invested or retained for actual use, rather than spent.

#### **Designated reserves**

A sum of unrestricted or restricted reserves may be separated and designated a particular purpose, therefore becoming a 'designated reserve', e.g. to purchase a new asset.

Designated reserves are labelled this way for administrative purposes only and can still be spent at the discretion of the board of trustees.

Where a designated reserve has been created, the board of trustees will provide a purpose and a timeframe for spending it.

#### **Pension reserves**

The risks surrounding pension liabilities will be taken into account when calculating the minimum and maximum levels of reserves stated in [section 5](#).

The board of trustees will assess the required pension contributions from projected future income without significantly impacting its planned level of activity.

The trust aims to calculate its reserves without the need to set aside a designated reserve to cover pension liability.

## **5. Managing reserves**

The board of trustees will identify why the trust should hold reserves and, having identified its needs, will decide how much should be held to meet them.

The financial risk to the trust will be balanced alongside our vision to maintain the highest levels of education.

The trust will hold a minimum reserve of £340,000. This equates to approximately one month of the Trust's salary costs.

Reserves will be reviewed and monitored by the board of trustees on an annual basis. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The Directors will determine the appropriate maximum level of reserves on an annual basis. The reason for this is to provide sufficient working capital to cover delays between spending and receipts of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance.

Reserves in excess of the maximum limit will be reviewed by the board of trustees, who may release funds into the revenue budget in furtherance of the trust's objectives or re-invest the funds to generate extra income for the trust's activities.

The movement of funds to and from the reserve budget will be at the discretion of the board of trustees, or the finance committee where delegated authority has been provided.

## **6. Reporting**

The board of trustees will have due regard for the [Academies Accounts Direction](#) guidance at all times.

The board of trustees will disclose in its annual report its policy for building and maintaining reserves and investments, and the following information:

- Why reserves are held
- The amount or range of reserves that are held at the end of the year
- How the trust aims to achieve its desired amount of reserves
- How the trust plans to raise the amount of reserves held, where they are below the minimum level
- How the trust plans to better utilise the amount of reserves in the future, where they are in excess of the maximum level
- Details of the circumstances giving rise to any deficit and the steps being taken to eliminate it

- An explanation of the investment policy
- A statement about the performance of the trust's investments

## **7. Monitoring and review**

This policy will be reviewed **annually** by the board of trustees and any changes made to the policy will be communicated to all staff and parents.

The next scheduled review of this policy is.