

Reserves Policy

— 2018 —



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drb Ignite Multi Academy Trust Vision Statement

Vision

The drb Ignite Multi Academy Trust has been established through a shared belief that lives can be transformed by what goes on in Trusts. We believe that the process of teaching and learning shapes futures. To this end our vision is to give every child learning experiences that excite them and give them the power to begin to shape their own lives.

all pupils achieve the highest standard of educational outcomes regardless of circumstances or background.

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1. Context

- 1.1 The drb Ignite Multi Academy Trust has established a reserves policy to protect its activities by providing a financial comfort zone against an unpredictable environment and to make sufficient provision for future cash flow requirements and capital procurement. The policy also provides the framework for future strategic planning and decision-making. The development of an effective reserves policy will restrict the impact of any risk upon the continuing operations of the Trust.
- 1.2 The reserves policy and the establishment of ranges is based upon an annual risk assessment of the internal and external operating environment, as well as having a due regard for the nature of activities under taken by the Trust for its beneficiaries.

2. Scope

- 2.1 This policy relates to all schools across the Trust and supersedes any local policies and procedures that have been in use prior to the academy conversion.

3. Types of Reserves

3.1. Unrestricted Reserves

- 3.1.1. 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 objectives
- 3.1.2. 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
- 3.1.3. Unrestricted Reserves are generally defined as funds held after excluding:
- Restricted funds; and
 - Funds that can only be generated on the sale of fixed assets used for charitable purposes

3.2. Restricted Reserves

- 3.2.1. Restricted Reserves (including Designated Reserves) may be restricted income funds, grants or donations that are spent at the discretion of the Trust in furtherance of some particular aspect(s) of the objects of the Trust or where the nature of expenditure has been defined by the donor; or where the funds or assets are required to be invested or retained for actual use, rather than spent

- 3.2.2. Restricted Reserves are only available for expenditure once the Trust has met its commitments and other planned expenditure and is in accordance with the limitations outlined in the original funding
- 3.2.3. Restricted Reserves also are inclusive of capital items and are defined as Restricted Fixed Asset Reserves. This reserve is specifically held for capital purposes in furtherance of some particular aspect of the objectives of the Trust
- 3.2.4. 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

3.3. Designated Reserves

- 3.3.1. Designated Reserves are reserves that have been set aside at the discretion of the Trust in furtherance of any of the Trust's objectives. Where a designation has been identified, the purpose and timing of any expenditure must be explained
- 3.3.2. 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

3.4. Pension Reserve

- 3.4.1. The risks surrounding the Trust's pension liability have 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
- 3.4.2 The presence of a pension surplus or deficit will generally result in a cash flow effect for the Trust in the form of 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
- 3.4.3 The Trust continues to calculate its reserves without setting aside a Designated Reserve to cover the pension liability

3.5. Cashflow Reserve

The one area of the Trust's operations that is likely to suffer from cashflow issues is the Central Trust operations. As its budget is relatively small compared to the schools, even modest fluctuations in demands on its resources will result in difficulties. The Trust is increasingly receiving invoices which cover expenditure for its schools. These will need to be paid initially from the Trust bank account.

Schools within the Trust may also encounter cash flow issues, for example, where a fire or major incident occurs that requires urgent action. Whilst covered by insurance, expenditure may have to be incurred before claims are settled. To support schools if this situation arises, the Trust Board has established an Investment Policy to ensure a central cash reserve is available by utilising surplus cash from school accounts.

These surplus funds have / will be transferred to a bank account managed at Central Trust level. Each school can apply for cash support from these reserves if required. Unused cash will be invested, and income transferred to the central bank account.

As we enter into more Trust wide contracts to achieve improved value for money, the demands on the Trust account will increase. Increases to this reserve shall be determined by the Chief Executive Officer and Chief Finance Officer in discussion with Trustees and Headteachers.

4. Management of Reserves

- 4.1. Schools continually utilising surplus funds to set a balanced budget is not appropriate or financially sustainable. To negate this, Trust schools are required to carry forward surplus reserves of at least 5% of their General Annual Grant value within their budgets from one year to the next
- 4.2. Trust reserves can be used to support schools that are facing the possibility of setting a deficit budget (which is prohibited for academies) only in the event that all of the following criteria have been met:
 - that all possible cost saving interventions have been enacted by the school in consultation with the CFO
 - the financial risks associated with the Trust have been reviewed
 - that Trustees are satisfied that the Trust Reserves are sufficient to withstand a reduction
 - all other means of removing the deficit have been exhausted
 - an action plan to bring the school in to surplus as soon as possible has been approved by trustees through the Finance Sub Committee in the first instance.

5. Reviewing the Policy

- 5.1. The Trust follows Charity commission recommendations that charities develop their Reserves Policy and their planning at the same time, recognising that strategic and financial planning informs the development of Reserves Policies and vice versa. For example, the budgets will identify peaks or troughs in cashflow and the Reserves Policy will need to ensure the troughs in funding can be met from reserves held
- 5.2 The Reserves policy will be regularly reviewed in light of the changing funding and financial climate and other emerging risks. The Trust publishes its assessment of the risks that it is facing as part of its statutory accounts / annual report

Monitoring and review	Trust Finance Committee Trust Board
Links	
Staff responsible	CEO CFO
Committee responsible	Trust Finance Committee Trust Board
Date approved	November '18
Next review date*	November '19
Sign off by Chair of Trust	 Date: November 2018

*Please note that should there be any changes/further national guidance issued relevant to this policy, it will be updated accordingly prior to the review date shown above and referred to the next Trust Board meeting.

6. Change History

Issue No.:	Change date:	Change description:
1.0	10/7/18	Initial release
1.0	17/7/18	Approval
2.0	14/8/18	Added: New header Added: Missions statement Added: Contents page General reformatting
	NOV'18	Signoff and released