

# drb Ignite Multi Academy Trust

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## **Reserves Policy**

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## 1. Purpose

- 1.1.** The purpose of this policy is to set out how the Trust sets, invests and administers its financial reserves. The development and implementation of an effective reserves and investment policy will restrict the impact of any risk upon the continuing of operations of the Trust.

## 2. Introduction

- 2.1.** The Trust is able to hold reserves to further its charitable aims and to take account of the internal and external operating environment it faces.
- 2.2.** Where reserves are held, it is a requirement of the charity accounting regulations that Trustees must state their reserves policy in their annual report.
- 2.3.** The Academy Trust Handbook notes that Trusts should use their allocated General Annual Grant (GAG) funding for the full benefit of their current pupils. Where a Trust has built up substantial reserves, they should have a clear plan for how they will be used to benefit pupils.
- 2.4.** When the Trust holds reserves it may invest them to further the Trust's charitable aims. The Trustees must ensure that investment risk is properly managed.
- 2.5.** This policy relates to all schools across the Trust and supersedes any local policies and procedures.

## 3. Roles and Responsibilities

- **Finance Committee:** The Finance Committee is responsible for monitoring and reviewing this policy.
- **Accounting Officer:** The Accounting Officer, who is the Chief Executive Officer (CEO), is accountable to the board for the effective implementation of this policy.

## 4. Types of Reserves

- 4.1.** The charitable funds of the Trust are in the main derived from direct government and local authority grants, where the nature of the expenditure has been defined. These funds are defined as Restricted Reserves. Funds provided for specific capital purposes are classed as Restricted Fixed Asset Reserves.
- 4.2.** Additional charitable funds are generated through the operational nature of the Trust's work, or from grants or donations that can be spent at the discretion of the Trustees. These funds are defined as unrestricted and can be spent in the furtherance of any of the Trust's objectives.

## **5. Reserves policy statement**

- 5.1.** Trustees target a minimum level of Reserves (Restricted and Unrestricted Reserves) across the Trust that equate to a minimum of 5% of the in-year General Annual Grant value.

These reserves are held to cover:

- cashflow and contingency requirements
- planned or anticipated future commitment to capital projects
- financial commitments made but not yet entered into
- planned investment in educational initiatives and new projects to further the objectives of the Trust

All reserves are accountable at Trust level and the Trustees have the responsibility of securing the financial stability of the Trust as a whole.

## **6. Monitoring and accounting for reserves**

- 6.1.** The Trust will regularly monitor the level of reserves at Trust level to assess progress against the Trust's reserve target.

## **7. Use of reserves**

- 7.1.** Expenditure of reserves can only be undertaken when agreed by the Trust and will take into account:

- the overall reserves of the Trust
- the operational risks faced by the Trust
- the Priority for school investment and maintenance plans across the Trust

The Trust may also choose to identify some of the Reserves as Designated Reserves, which are being held for a specific purpose, such as a capital project. The Trust will decide when Designated Reserves will be spent and always retains the right to reallocate these Reserves depending upon the needs of the Trust overall.

## **8. Designated Reserves**

- 8.1.** 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.

- 8.2.** 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.

## **9. Pension Reserve**

- 9.1.** 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.
- 9.2.** 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.
- 9.3.** The Trust continues to calculate its reserves without setting aside a Designated Reserve to cover the pension liability

## **10. Cashflow Reserve**

- 10.1.** The one area of the Trust's operations that is likely to suffer from cashflow issues is the individual school balances of those schools in financial difficulty.

To mitigate this, the Trust has moved to one bank account which will service all school's income and expenditure.

- 10.2.** One bank account will allow the Trust to invest surplus cash in low risk investments. The Trust will ensure compliance with the Academy Trust Handbook, Trust Funding Agreement, Articles of Association, Companies Act (2006), Charities Act (2011), Companies (Trading Disclosure) Regs 2008, and the 7 principles of public life. Please refer to the Trust investment policy

## **11. Management of Reserves**

- 11.1.** The Trust continually utilising surplus funds to set a balanced budget is not appropriate or financially sustainable. To negate this, the Trust is required to carry forward surplus reserves of at least 5% of the total General Annual Grant value within the budgets from one year to the next.
- 11.2.** Reserves from all Trust schools will be pooled centrally rather than at school level.
- 11.3.** Trust reserves can be used to support schools that are facing the possibility of setting an in-year 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
- a strategic plan to bring the school in to surplus as soon as possible has been approved by the Trust

Trust reserves can also be used for any Trust wide projects which will be presented to the Trust board for approval.

Any Trust school who carry forward a surplus in-year budget will have the ability to carry the surplus into the following financial year. This will be at the discretion of the CEO / CFO and after consultation with the Trust Finance Committee.

## 12. Monitoring

<b>Monitoring and review</b>	Director of Finance (CFO) CEO Trust Board
<b>Links</b>	Academy Trust Handbook Investment Policy GAG Pooling Policy Governance Charter and Scheme of Delegation Financial Procedures Manual
<b>Staff responsible</b>	Director of Finance (CFO), CEO, Finance Committee, Trust Board
<b>Committee responsible</b>	Finance Committee and Trust Board
<b>Reviewed</b>	November 2021
<b>Next review</b>	November 2022
<b>Sign off by Chair of Trust</b>	 Date: November 2021

- \* 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.