

Every Child Matters Academy Trust

Reserves Policy

Introduction

Maintaining an appropriate level of financial reserves is considered essential in protecting the Trust and its academies from financial risk. The MAT Board and Local Governing Bodies (LGB) need to consider the level of reserves the school should hold. Levels of reserves which are too high tie up money which should be spent on current school activities. Levels of reserves which are too low may put the future activities of the school at risk.

The reserves policy

The reserves policy:

- Assists in strategic planning by considering how new projects or activities will be funded.
- Informs the budget process by considering whether reserves need to be used during the financial year or built up for future projects.
- Informs the budget and risk management process by identifying any uncertainty in future income streams.

During the financial year

The trustees identify:

- When reserves are drawn on, so that they understand the reasons for this and can consider what corrective action, if any, needs to be taken.
- When reserve levels rise significantly above target so that they understand the reasons and can consider the corrective action, if any that needs to be taken.
- Where the reserves level is below target and consider whether this is due to short-term circumstance or longer term reasons which might trigger a broader review of finances and reserves.

Development of the academy's reserves policy

When considering an appropriate level of reserves, the trustees consider:

- The risk of unforeseen emergency or other unexpected need for funds.
- Covering unforeseen day-to-day operational costs, for example employing temporary staff to cover a long-term sick absence.
- A fall in a source of income, such as lettings.
- Planned commitments, or designations, that cannot be met by future income alone, for example plans for a major capital project.
- The need to fund potential deficits in a cash budget, for example money may need to be spent before a funding grant is received.

The financial risks identified determine the amount of reserves the academy targets to hold.

In-year reports to the MAT Board and the Local Governing Bodies

In-year reports:

- Compare the amount of reserves held with the target amount or target range set for reserves.
- Explain any shortfall or excess in reserves against target set.
- Explain any action being taken or planned to bring reserves into line with target.

Annual financial statements

The reserves policy disclosed in the MAT report will include the following information:

- Why reserves are held.
- What amount/range of reserves is considered appropriate for the academy trust.
- What the level of reserves is at the year end.

- How the academy trust is going to achieve the desired level or range of reserves.
- How often the reserves policy is reviewed.

Target range of reserves for the financial year

The MAT has decided that the reserves level for 2015/16 for the MAT will be approximately £200,000 (to accommodate planning for growth and the associated development of a central support function) and 8% for each academy based on analysis of the points above and the likelihood that they may occur and the amount of funding that would be required if they did. The level of reserve will be reviewed and set on an annual basis as part of the budget setting plan.

Monitoring and evaluation of the policy

This policy will be monitored regularly for any changes in legislation or directions from the DFE which may have an effect and evaluated in the light of any comments made by the DFE, EFA, auditors and any other interested parties.

Reviewing

This policy will be reviewed in the autumn term 2021 or as needed to ensure that any new or changed legislation is adhered to.

Approved by the Resources Committee on: 04/12/2018