

Reserves Policy

The Warriner Multi Academy Trust Directors' Board has adopted the following Model Reserves Policy

Where the policy refers to "Academy", it means "The Warriner Multi Academy Trust".

This policy was approved by The Director's Finance Committee of the Warriner Multi Academy on 11th October 2018

Review Due October 2020

Model Reserves Policy

1 Purpose

This policy establishes a framework within which decisions will be made regarding the level of reserves held by the Academy and the purposes for which they will be used and maintained. For this purpose reserves are the amount of cash on hand necessary to meet one month's payments; this will vary on a monthly basis and is to be regarded as a target only.

The Academy's reserves policy is used in:

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

2 Definitions

Reserves are sums of money held by the Academy to meet future expenditure, both revenue and capital.

- **Restricted Reserves:** Restricted reserves are represented by the main income of the Academy, which is the General Annual Grant (GAG), other grant contributions or donations that are received for a specific project or purpose. These funds are restricted in their use according to the funding agreements or donors instructions.
- **Unrestricted Funds:** These are made up of the Academy's activities for generating funds (such as lettings), investment income and other donations which are expendable at the discretion of the Trustees in furtherance to achieve the objectives of the Academy.

- **Designated Funds:** These are unrestricted funds that have been allocated by the Trustees for a particular purpose, such as funds designated for a sports facility or program or particular curriculum investment program.
- **Uncommitted Reserves:** Are funds kept to meet short term, unforeseeable expenditure and to enable significant changes in resources or expenditure to be properly managed by the Academy.
- **Committed reserves:** Are funds which are held for specific purposes.

3 Development and Identification of Reserves

In considering the appropriate level of reserves for the Academy, the Trustees will consider:

- The risk of unforeseen emergency or other unexpected need for funds;
- The costs of covering unforeseen day-to-day operational costs, for example employing temporary staff to cover a long-term staff absences;
- A fall in a source of income, such as lettings or a decrease in pupil numbers;
- Planned commitments, or designations, that cannot be met by future income alone, such as plans for a major capital project or investment in IT facilities; and
- The need to fund potential deficits in a cash budget, such as a need to fund activities or projects in advance of grant funding receipts.

4 Monitoring of Reserves

The Trustees are responsible for ensuring that the Academy's reserves are maintained and are used only as described in this policy.

The Trustees will be responsible for identifying:

- 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 the target amount or range, so that they understand the reasons and can consider the corrective action, if any, that needs to be taken; and
- Where the reserves level is below the target amount or range, so they can consider whether this is due to short-term circumstance or longer term reasons which might trigger a broader review of finances and reserves.

The Academy's Chief Finance Officer will regularly monitor the Academy's reserves and will report to the Academy's [Finance / Resources] Committee and Trustees accordingly. The reports to be provided to the [Finance / Resources] Committee and Trustees will include:

- A comparison of the amount of reserves held with the target amount or target range set for reserves;
- An explanation of any shortfall or excess in reserves against the target amount or range; and
- An explanation of any action being taken or planned to bring reserves in line with the target amount or range.

5 Approval of the Use of Reserves

The appropriate level of reserves or range of reserves for the Academy will be reviewed and set by the Trustees on an annual basis as part of the Academy's annual budget setting process, and by reference to the Academy's Three Year Plan.

Any recommendations to utilise the Academy's reserves of any kind, whether as part of the annual budget setting process or whether as part of an in year budget adjustment, will be made by the [Finance / Resources] Committee, with formal approval and authorisation being made by the Board of Trustees.

All recommendations and approvals should be formally noted in the minutes of the relevant meetings.

6 External Reporting

The Academy will disclose in the annual Trustees' Report its policy for building and maintaining reserves, including:

- Why reserves are held;
- What amount or range of reserves is considered appropriate for the Academy in line with their policy;
- What the level of reserves are at the year-end, covering both free (or unrestricted) reserves and restricted reserves and any material designated reserves including the reasons and purpose of the designation;
- How the Academy is going to achieve the desired level or range of reserves where the actual reserves level are below the targeted level or range or its plans for utilising reserves in the future where the actual reserves are in excess of the targeted level or range; and
- Where any funds are materially in deficit, details of the circumstances giving rise to the deficit and details of the steps being taken to eliminate the deficit.

7 Local Government Pension Scheme Deficit

In accounting for the Local Government Pension Scheme (LGPS), the Academy recognises that there is a deficit which is included within the Academy's restricted funds. Whilst this could in theory result in a deficit in restricted funds, it is noted that an immediate liability for this amount is not crystallised.

The LGPS deficit will be dealt with by an increase in the employers' pension contributions over a period of years and the annual budgets and Three Year Plans must take into account these additional contributions. Therefore, whilst the deficit might not be eliminated, there should be no actual cash flow deficit on the fund, or direct impact on the Academy's reserves.

8 Review of Policy

This Reserves Policy will also be monitored regularly by Management and the Trustees for any changes in legislation or directions from the DfE or EFA or Charity Commission in relation to the maintaining and use of reserves and best practice guidance in relation to the maintaining and use of reserves.