



## Reserves Policy

<b>Audience:</b>	<b>All Academies</b>
<b>Approved:</b>	<b>13/12/2018</b>
<b>Other related policies:</b>	
<b>Policy Owner:</b>	<b>Louise Wilson – Chief Executive Officer</b>
<b>Policy Model:</b>	<b>Compliance – all CMAT academies use this policy</b>
<b>Review:</b>	<b>Annually</b>
<b>Version Number:</b>	<b>1.0 (December 2018)</b>

## **Introduction**

1. St Therese of Lisieux Multi-Academy Trust has established a reserves policy to protect the Trust and its schools against an uncertain financial environment and to allow sufficient provision to safeguard the CMATs future cash flow requirements and to fund its capital replacement strategy. The policy also provides the framework for future strategic planning and decision making. The development of an effective reserves policy will minimise the impact of any risk which will affect the future of the CMAT caused by funding uncertainty.
2. It is acknowledged that not all schools will be able to meet the targets set in this policy in the short to medium term, but all schools that fall short of this target should have a strategic budget plan in place that enables them to build their reserves in line with the CMATs target to protect against future uncertainties.

## **Types of Reserves**

### **Unrestricted Reserves**

3. Unrestricted reserves are derived from income funds, grants or donations that can be spent at the discretion of the directors in furtherance of any of the CMAT's objectives. 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 as an administrative purpose only and does not legally restrict the directors' discretion to spend the fund. Unrestricted reserves will be achieved through operational efficiencies and any trading activities undertaken by the CMAT and its schools.

### **Restricted Reserves**

4. Restricted reserves may be restricted income funds, grants or donations that are spent at the discretion of the directors in furtherance of the core objectives of the CMAT; or where the nature of expenditure has been outlined in the original funding agreement.
5. Restricted reserves are also inclusive of capital items and defined as restricted fixed asset reserves. Fixed asset reserves are not readily available to the CMAT as a cash or cash equivalent and are therefore not included within the reserve targets set by the CMAT.

### **Pension Reserves**

6. The risks surrounding the CMAT's pension liability have been taken into consideration when calculating the reserve target. 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 CMAT.
7. The presence of a pension surplus or deficit will generally result in a cash flow effect for the CMAT in the form of an increase or decrease in employers' pension contributions over a period of years. The CMAT is cautiously confident that it can meet the required pension contributions (current range 17.6% to 18.3%) from projected future income without significantly impacting upon its planned activities.
8. The CMAT calculates its reserves without setting aside a designated reserve to cover the pension liability.

## **Key Principles**

9. The following principles underpin the CMAT's approach to reserves management:

*'A communion of high achieving Catholic schools where every person meets Jesus and grows uniquely in God's love.'*

- Each school will hold reserves equivalent to **60 days operating expenditure**
- Every year, the CMAT will set a balanced in-year revenue budget for each school
- Reserves will be maintained and reported against each individual school
- The school's reserves balance should only decrease due to capital investment and/or other organisational needs which will be approved by the finance and estates committee following submission of a business case from the school.
- The school's reserve balance may be comprised of restricted and/or unrestricted funds

### **Management of Reserves**

10. Reserves held by the school and not immediately required to meet the CMAT's cash flow requirements will be invested in line with the CMAT's investment policy.
11. Reserves held in excess of the target will be reviewed by the CMAT on a regular basis and an appropriate range of options will be considered, which might include releasing funds into the revenue budget for a time limited project in furtherance of the CMAT's objectives or designating funds to appropriate capital projects determined by the CMAT.
12. The movement of funds from restricted to unrestricted must be subject to obtaining appropriate consent from the original donor of the funds.

### **Policy Review**

13. The reserve policy and the establishment of reserve targets is based on an annual risk assessment of the internal and external operating environment and this policy will therefore be reviewed on an annual basis to ensure it continues to meet the needs of the CMAT and its schools.