



## **St Thérèse of Lisieux Catholic Multi Academy Trust**

### **Reserves Policy**

**October 2019**

<b>Audience:</b>	<b>Central Team and all other CMAT employees</b>
<b>Approved:</b>	<b>Directors – 14/10/2019</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>3 Yearly</b>
<b>Version Number:</b>	<b>1.0 (October 2019)</b>



### **Scope of this policy**

This policy applies to all academies within St Thérèse of Lisieux Catholic Multi Academy Trust (The Trust).

### **Objective of this policy**

The objectives of this policy are:

- to maintain the stability of the Trust's organisational operations by having a prudent level of reserves available;
- to enable The Trust to adjust quickly to financial circumstances; and
- to protect individual academies from the impact of unexpected or exceptional expenditure

### **Ownership of this policy**

This policy is owned by The Trust's Finance and Estates Committee. Each academy will adopt this policy.

### **Monitoring of this policy**

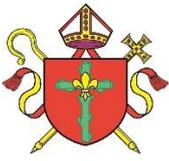
The Finance Director will implement this policy across the Trust on a day to day basis and a statement will be issued in the Annual Report and Accounts reporting on the key performance measures in this policy.

### **Relevant legislation**

This policy is a requirement of the Academies Financial Handbook.

### **Related policies/documents**

Risk Management Policy  
Investment Policy



## Policy details

### 1 Introduction

1.1 The Trust has established a reserves policy to protect the Trust and its academies against an uncertain financial environment and to allow sufficient provision to safeguard The Trust's future cashflow 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 Trust caused by funding uncertainty.

1.2 It is acknowledged that not all academies will be able to meet the targets set in this policy in the short to medium term, but all academies 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 Trust target to protect against future uncertainties.

1.3 Policies and procedures implemented by the Trust are there to control the organisation's exposure to risks in line with the Risk Policy and those identified within the risk register. All staff should be made aware of this and all policies of the Trust and the procedures in place including any updates issued from time to time. Should staff have any queries relating to this or any other policy or procedure they should write to the Trust's Governance Manager who will ensure adequate training and guidance is provided.

### 2 Types of Reserves

**2.1 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 Trust'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 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 Trust and its academies.

**2.2 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 Trust; or where the nature of expenditure has been outlined in the original funding agreement. Restricted reserves also include capital items defined as restricted fixed asset reserves. Fixed asset reserves are not readily available to The Trust as cash or cash equivalent and are therefore not included within the reserve targets set by The Trust.

**2.3 Pension Reserves:** The risks surrounding The Trust'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 Trust. The presence of a pension surplus or deficit will generally result in a cashflow effect for The Trust in the form of an increase or decrease in employers' pension contributions over a period of years. The Trust is cautiously confident that it can meet the required pension contributions (current range around 15-22%) from projected future income without significantly impacting upon its planned activities. The Trust therefore calculates its reserves without setting aside a designated reserve to cover the pension liability.

### 3 Key Principles

3.1 The following principles underpin the Trust's approach to reserves management:

- Each academy will hold reserves equivalent to **60 days operating expenditure**
- Every year, The Trust will set a balanced in-year revenue budget for each academy
- Reserves will be maintained and reported against each individual academy
- The academy'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 academy.
- The academy's reserve balance may be comprised of restricted and/or unrestricted funds



- Reserves held by the school and not immediately required to meet The Trust's cash flow requirements will be invested in line with The Trust's investment policy.
- Reserves held in excess of the target will be reviewed by the Trust 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 Trust's objectives or designating funds to appropriate capital projects determined by The Trust
- The movement of funds from restricted to unrestricted must be subject to obtaining appropriate consent from the original donor of the funds.

#### **4 Policy Review**

4.1 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 Trust and its academies.

#### **Supporting Documents**

Academies Financial Handbook:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/714474/Academies\\_Financial\\_Handbook\\_2018.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/714474/Academies_Financial_Handbook_2018.pdf)

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