



# CASTLEMAN ACADEMY TRUST

## **POLICY :**

### **Reserves**

**Author: Trust Business Manager**

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**Review Body: Trust Finance and Audit Committee**

**Date Adopted: 8<sup>th</sup> October, 2020**

**Review Date: Autumn 2021**

# CASTLEMAN ACADEMY TRUST

## RESERVES POLICY

### Purpose

The purpose of the Reserves Policy for the Trust is to ensure the stability of the Trust's organisational operations, to protect it so that it has the ability to adjust quickly to the financial circumstances, such as large unbudgeted expenditure, cyclical maintenance and working capital. Academies are expected to create reserves from their annual GAG funding in relation to Revenue and Capital. The Trustees of the Castleman Academy Trust require a capital reserve to be created to fund future capital expenditure and to be held in a premises contingency cost centre. They also require that a revenue reserve be created to fund development plans and strategic long term aims and developments.

### Definitions and Goals

#### **Restricted Reserves**

Restricted reserves are represented by the main income for the Trust schools which is General Annual Grant (GAG), other grant contributions or donations that are received for a specific project or purpose. These funds are restricted for the use according to the funding agreements or donor's instructions.

Academies can carry forward GAG restricted funds to be used for future years mainly for capital and a small percentage for operational purposes.

The Trustees have determined that the appropriate level of reserves should be equivalent to one month's average operational costs which will include salaries and pensions, occupancy costs and external services' costs. The Trust will review the reserve levels annually and this review will encompass the nature of the income and expenditure streams, the need to match income with commitments and the nature of reserves. The reason for this is to provide sufficient working capital to cover delays between spending and receipts of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance

All reserves are reported and reviewed regularly at management meetings and expenditure from reserves approved by the Trustees.

#### **Unrestricted Funds**

These are made up of the Trust's activities for generating funds, investment income and other donations which are expendable at the discretion of the Trustees in furtherance to achieve the objectives of the Trust and its schools.

These funds will be reviewed regularly by the Trustees and Finance Committee and are obtained through one off donations and are generally built up over time from fund generating activities and investments.

#### **Designated Funds**

These are unrestricted funds that have been allocated by the Trustees for a particular purpose.

These funds are reviewed regularly and approved by the Trustees and the Finance Committee: they are obtained by designated funds from unrestricted funds.

## **Use of Reserves**

### **1. Identification of appropriate use of reserve funds**

The Trustees and Senior Leadership Team will identify the need for access to reserve funds and confirm that the use is consistent with the purpose of the reserve as described in this policy. This step requires analysis of the reason for any shortfall, the availability of any other sources of funds before using reserves and evaluation of the time period that the funds will be required and replenished.

### **2. Authorisation of use of reserves**

Authorisation to use reserves of any kind will be made by the Trustees and the Finance Committee, at the next available meeting and then approval should be noted in the minutes.

### **3. Reporting and Monitoring**

The Trustees are responsible for ensuring that the funds are maintained and are used only as described in this policy. Upon approval for the use of the funds, the School will maintain a record of the use of the funds. The Finance Committee should regularly monitor the progress of the reserves.

## **REVIEW OF POLICY**

This policy will be reviewed every year or sooner if warranted by internal or external events or changes. Changes to policy will be recommended to the Trust.

## **Equality Impact Assessment**

This policy has been reviewed with the equality impact considerations as laid down in the trust's Equality Policy.