

Reserves Policy

July 2017



**Sidney Stringer
Multi Academy Trust**

Sidney Stringer MAT Reserves Policy

Introduction

This policy establishes a framework within which decisions will be made regarding the level of reserves held by the Multi Academy Trust and the purposes for which they will be used and maintained. The DfE expects Academy Trusts to use their allocated funding each year for the full benefit of the schools current pupils. Therefore, it is important that, if the Trust has a substantial surplus there is a clear plan how it will be used to benefit the pupils and to fulfil the Trust's charitable objectives.

The Directors need to consider the level of reserves the MAT 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 MAT at risk.

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 Directors 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 MAT's reserves policy

When considering an appropriate level of reserves, the Directors should 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

Sidney Stringer MAT Reserves Policy

- 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.

When deciding on the reserves amount Directors will take into account the following:

- one month salary bill - currently approximately £1,215,000
 - SSA £660,500
 - SSP £33,100
 - EGA £268,500
 - RIV £181,300
 - RAD £71,600
- the MAT's annual budget - currently approximately £17,982,000; a 1% contingency amounts to £179,820; 5% to £899,100 and 10% to £1,798,200).
 - SSA £8,840,400
 - SSP £1,074,500
 - EGA £4,180,700
 - RIV £2,707,800
 - RAD £1,178,600
- the need for any large project spend such as facilities development or building condition needs
- any uncertainty, turbulence or expected reduction in funding arrangements, including the level of transitional protection within the school funding and its expiry date
- anticipated funding over the next three years.

In-year reports to the MAT Directors

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

Sidney Stringer MAT Reserves Policy

- 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 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

The Director of Business & Finance, the Executive Principal and directors will carry out a review of this policy on an annual basis to ensure that any new or changed legislation is adhered to.