



# Reserves Policy

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<b>Responsible</b>	NMAT Finance Lead	



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### 1. Aims

This policy aims to ensure that the Trust is able to maintain an appropriate level of financial reserves which is essential in protecting the Trust and its academies from financial risk. The Trust Board need to consider the level of reserves that should be held. 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 academy at risk.

### 2. Legislation and guidance

The [Academy Trust Handbook](#) states that the Board of trustees must:

- ensure that financial plans are prepared and monitored, satisfying itself that the trust remains a [going concern](#) and financially sustainable
- take a longer term view of the trust's financial plans consistent with the requirement to submit three-year budget forecasts to Education Skills and Funding Agency (ESFA)
- as part of its management of the trust's funds, set a policy for holding reserves and explain it in its annual report. Information on how the trust must report on reserves is set out in the [Accounts Direction](#)

### 3. Principles

The Trust aims to use its funding to the full benefit of our current students. At the same time it is prudent to maintain an appropriate level of financial reserves which are essential in protecting the school from financial risk. Reserves are also maintained for long term capital projects that enhance the educational provision. This policy takes into account the following principles:

- Reserves must have a specific purpose related to future spending or covering current and future risks
- The size of the reserves should balance the benefit of current spending with the risks the reserves cover
- They should be transparent and maintain the link with the purposes for which the income was given
- They should ensure that sufficient resources are available so that unexpected events can be accommodated without causing current year problems, such as generating a deficit or cashflow issues

Whilst the ESFA require reserves to be limited to a level where its use in the future is known, there is an overriding need to ensure Value for Money.

## **4. Definition of Reserves**

For the purposes of this policy the term “reserves” is applied to that part of the Trusts income that is freely available for its general purposes. Reserves are the resources the school has or can make available to spend for any or all of its purposes once it has met its commitments and covered its other planned expenditure. This definition excludes unspent money from restricted grants as outlined below:

- Devolved Formula Capital
- Capital Grant Bids such as Condition Improvement Funding
- Restricted income such as Pupil Premium
- Designated income such as Bursaries

Reserves should therefore generally only include:

### Unrestricted funds – General

This is money that can be spent on anything which furthers the objectives of the school. Often this is money that has been generated through the sale of services or expertise or public fundraising and/or donations.

### GAG Restricted Funds

The vast majority of costs incurred by academies will be funded through government grants (either revenue or capital). There are no limits on the amount of General Annual Grant (GAG) funds that can be carried forward and these funds can be utilised on the majority of academy costs in future years.

## **5. NMAT Reserves Policy**

The Trustees review the reserve levels of the Trust annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The Trustees have determined that the appropriate level of free reserves should equivalent to a cots of one months worth of salaries and oncosts. The reason for this is to provide sufficient working capital to cover one month’s staff salaries including NI and pension.

In their Finance and Risk Management meetings, Trustees along with the Executive Principal will hold the NMAT Leadership team to account. The key focus for the Trust moving forward is to maintain the reserves position at a level that equates to one months worth of salaries and oncosts in order to reflect the uncertainties in the future funding, higher utility costs and the increasing age and condition of the Nunthorpe Academy site as well as the economic pressures generally seen in the education sector.

## **6. Monitoring arrangements**

The NMAT Chief Operating Officer monitors the implementation of this policy. The policy and reserves will also be monitored by Trustees monthly through the production of the monthly management accounts as well as scrutiny in the half termly Finance and Risk Management meetings and the end of year audited accounts to ensure the Trust remains a ‘going

concern'.

## **7. Links with other policies**

This Reserves Policy links with the following policies

- Financial Regulations Manual
- Growth Strategy
- Investments Policy