



# Reserves Policy

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**1. Purpose:**

It is the purpose of this policy to ensure the stability of the Trust's organisational operations, so that it has the ability to adjust quickly to changes in financial circumstances, such as large unbudgeted expenditure, cyclical maintenance and working capital.

Charities are required to establish a reserves policy in order to protect their operations. However, regardless of the regulatory requirements establishing reserves that protect the operation of the Trust and contribute to its smooth running is good practice and forms part of its overall financial control and governance framework.

**2. Scope:**

This document is to be used as a basis for setting out some principles that the Trust is recommended to adopt and presents a detailed policy that is approved by the Trust Board.

**3. Responsibilities:**

It is the responsibility of the Board of Trustees for the spending of the Trust's funds in that it is utilised for the purpose intended and there is probity in the use of public funds.

**4. Principles:**

This policy takes into account the following principles:

- 4.1.1 Reserves must have a specific purpose related to future spending or covering current and future risks;
- 4.1.2 The size of the reserves should balance the benefit of current spending with the risks the reserves cover;
- 4.1.3 The reserves should be transparent and maintain the link with the purposes for which the income was given;
- 4.1.4 Reserves should ensure that sufficient resources are available so that unexpected events can be accommodated without causing issues within the current year, generating a deficit or cash flow concerns.

Whilst the DfE require reserves to be limited to a level where its use in the future is known, there is an overriding need to ensure that there is value for money.

The Trust's Reserve Policy is not regarded as a static policy as circumstances will change with time. Therefore, this policy will be reviewed at least annually as part of the Trust's schedule of review.

**5. Purposes and Setting of Reserves:**

The following purposes and setting of reserves are considered appropriate for Community Inclusive Trust:

- 5.1 General reserves are to be maintained at a level that are at least 3.5% of the gross income of the schools within the Trust. The aim is to increase this to 5% over a period of 3 years from the date of this policy. However, this level will be reviewed annually by the Board.

Unspent income and/or grants not specifically identified for other purposes will be added to the general reserve. Any in-year deficits will be resourced from this fund as far as possible. If deficits result in the fund falling below the 3.5% threshold, either resources will need to be set aside in the following years budget, or funds will need to be transferred from the capital reserves budget and capital projects be put on hold in order to restore the general reserves fund. If the shortfall is significant, the Accounting Officer may propose to the Trust Board that the fund is restored over more than one year.

- 5.2 Specific Capital Reserves are to be identified by the Trust Board as part of the five-year strategic plan. As part of the annual budgeting process all schools and the Trust Support Hub should consider whether they wish to propose for additional capital reserves to be established. The school condition and its development/improvements plan should be the main input into the process. Proposals for establishing reserves will need to be agreed with the CEO who will present them to the Trust Board for approval.

## **6. Monitoring and Level of Reserves:**

- 6.1. The level of reserves will be monitored throughout the year as part of the normal monitoring and budgetary reporting processes to;
- 6.2. Identify when reserves are drawn on, the reasons and any corrective action, if any, that needs to be taken;
- 6.3. Identify when reserve levels increase or decrease significantly above or below the expected target levels, the reasons and any corrective action, if any, that needs to be taken;
- 6.4. Ensure that this Reserves policy continues to be relevant as the Trust develops in relation to the number of schools, or changes in activities;
- 6.5. Review the statement on reserves in the Trustees' Annual Report where there have been significant changes in the reserves policy or the level of reserves held.
- 6.6. The Trust believes that the funding received in any one year should be used to support the children on roll at the time, unless there is a specific project which requires the accumulation of funding over more than one academic year. The Trust also wishes to ensure the stability of the organisational operations and so, reserve levels should enable us to

react quickly to changes in financial circumstances, for example, large unbudgeted expenditure.

**7. Charities and Education and Skills Funding Agency Accounting Requirements**

7.1. The Trust is required to report in its accounts the level of reserves held split between restricted general funds, restricted capital fund and unrestricted funds. For the purposes of clarification regarding the different types of reserves above, the general reserve and the specific capital reserve referred to in this policy are both unrestricted funds. The Trust has discretion to move resources from unrestricted to restricted funds but not in the other direction and can also transfer from restricted general funds to restricted capital funds.

7.2. As the Trust's entire operations are for educational provision, all resources whether restricted or not would be used to support the same purpose.

**8. Academies Financial Handbook**

Any employee as part of their roles and responsibilities that are referring to this document must also have an understanding and knowledge of the Academies Financial Handbook. If the Academies Financial handbook differs from these procedures, please bring it to the attention of the Central Finance Team. The link to the Academies Financial Handbook is below.

<https://www.gov.uk/guidance/academies-financial-handbook>

**9. References**

9.1. CIT Finance Policy V3 2020-21

9.2. CIT Financial Operating Procedures Handbook V3 2020-21

**10. External References**

Academies Financial Handbook 2020.

**11. Amendments to the Document:**

September 2020 – hyperlinks and references updated to 2020

**The Community Inclusive Trust Board**

**Reserves Policy**

This policy version was approved by the Trust Board on Wednesday 9<sup>th</sup> September 2020