

# Reserves Policy

Frequency of Review	Every 1 year
Author	COO
Approved by	Board of Directors
Reviewed	March 2024
Date of Next Review	March 2025 (unless there is a material change)

## 1. Introduction and Purpose

Maintaining an appropriate level of financial reserves is considered essential in protecting the Trust from financial risk generated by, for example.

- income reduction due to Government funding changes,
- unexpected falls in student numbers,
- cash flow issues due to delays in receipt of funding,
- emergencies.
- Justified, unavoidable expenditure.

In general, it is considered prudent to maintain a level of usable reserves sufficient to cover unexpected and unplanned events so that the Trust's primary objective is preserved. At the same time, the Propeller Academy Trust wishes to ensure that it uses its funding to benefit the students in its care, which implies an imperative to consider actively the use of reserves to enhance educational provision. Therefore, the policy helps to shape future strategic planning and decision-making. The development of an effective reserves policy will restrict the impact of any risk upon the continuing operations of the MAT

## 2. Scope

This policy relates to all schools and settings across Propeller Academy Trust (PAT) and supersedes any local policies and procedures that have been in use prior to the academy conversion

## 3. Definitions and Goals

Directors of the Trust will monitor levels of reserves in financial reports provided by the Chief Operations Officer and in the annual financial statement prepared by the Auditor and will look to ensure that a prudent level of reserves is maintained, bearing in mind the recurrent spending needs to ensure high quality provision.

The Directors have determined that the appropriate level of free cash reserves should be at least 10% of total incoming resources.

## 4. Types of Reserves

- There are three categories of funds for charities (including educational trusts).
  - Endowment Funds – Investments, the principal of which cannot be expended although returns on investment can be used to support on-going operation and development of a charity. The Propeller Academy Trust does not have any endowment funds.
  - Restricted Funds – Restricted funds may be restricted income funds, grants or donations that can only be used for the purposes specified by the funder. PAT's Restricted Funds are.
    - Our pension reserve
    - The fixed assets reserve

- The restricted general reserve
  - Unrestricted Funds – Unrestricted funds are all other funds and can be spent at the discretion of the directors in furtherance of any of the MAT's objectives. If part of an unrestricted income fund is earmarked for a particular purpose 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.

## 5. Use of Reserves

The Trust Board is ultimately responsible for the allocation of resources to deliver the vision of the Trust. The Finance, Audit and Risk Committee are accountable to the Trust Board for monitoring the level of reserves in line with this policy and for recommending any future changes to it to the Trust Board. Academies within the Trust are expected to set and maintain a balanced budget where costs are met from income in a given year.

In approving the annual budget, the Trust Board will review the level of reserves held at Trust level. They will identify any 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.

In accordance with the Academies Handbook, reserves will be invested in short-term fixed deposits to maximise interest when and where appropriate.

## 6. Responsibilities

The Finance, Audit and Risk committee will regularly monitor reserves levels and ensure that reserves are maintained and are used only as described in this policy. The annual Trustees' Report must explain the Trust's reserves policy, in particular stating the reasons for holding reserves, the amount of reserves held, and where relevant, an explanation of any steps being taken to bring the level of reserves held into line with the level set out in the policy. Recognising that the environment in which the Trust operates will change over time, the reserves policy should not be regarded as a static policy. It will be reviewed annually by the Finance, Audit and Risk Committee alongside the Trust's strategic planning and operational budgeting processes which will identify changes in the funding and financial climate and any other emerging risks which may affect cash flow.

## 7. Policy Review

The Policy will be reviewed annually and approved by the Trust board.