



Academies Trust

## **Reserves Policy**

**(This document covers The Co-operative Academy of Leeds, The Co-operative Academy of Manchester, The Co-operative Academy of Stoke, MCMA and Brownhill, Nightingale, Oakwood & Woodlands Primary Academies and any future academies joining the trust)**

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## **1. Introduction and background**

- 1.1 The Co-operative Academies Trust (CAT) Board is responsible for the effective and efficient use of available resources. These responsibilities are outlined by the Charities Commission in their published guidance: <https://www.gov.uk/government/publications/charities-and-reserves-cc19>
- 1.2 The CAT Board is ultimately responsible for the allocation of resources to deliver the vision of the Trust. Within this context the CAT Board delegates responsibility for the management of available finances and reserves to local academy governing bodies as outlined in the scheme of delegation and within the constraints of budgets approved by the governing body and the CAT Board.
- 1.3 Academy governing bodies are accountable to the CAT for the level of reserves at any particular time.

## **2. Purpose of this policy**

- 2.1 The Trust's reserves policy:
  - assists in strategic planning by considering how new projects or activities will be funded;
  - informs the budget process at both a school and a Trust level by considering whether reserves need to be used during the financial year or built up for future projects;
  - enables investment decisions to be made at a Trust level, where necessary utilising reserves across the Trust; and
  - informs the budget and risk management process by identifying any uncertainty in future income streams.

## **3. Application of the policy**

- 3.1 When considering an appropriate level of reserves, the Trust Board considers:
  - the risk of unforeseen emergency or other unexpected need for funds;
  - a fall or rise in sources of income;
  - planned commitments, or designations, that cannot be met by future income alone, for example plans for a major capital project;
  - the need to fund potential deficits in a cash budget, for example money may need to be spent before funding is received; and
  - the full range of financial risks identified.

## **4. A balanced budget**

- 4.1 Academies within the Trust are expected to set and maintain a balanced budget where costs are met from income in a given year. Accumulated reserves can be utilised, subject to the provisions of this policy.

## **5. Maintaining a minimum level of reserves**

- 5.1 Individual academies must maintain as a minimum a reserve's balance equal to 5% of total annual income (excluding PFI funding where applicable).
- 5.2 For the purpose of this policy, reserves are deemed to exclude restricted fixed assets funds, pension reserves (see note 9 below) and any other specifically designated funds (e.g. funds held for particular, board approved projects).
- 5.3 The minimum level of reserves is ultimately limited by the need to maintain a positive net assets position for the Trust.
- 5.4 The Trust will:
- maintain the aggregate of individual academy reserves, amounting to a minimum of 5% of all annual income;
  - maintain an additional central contingency of £100,000 in order to fund any short term resource needs;
  - review the opportunities and risks at a Trust level in order to assess the required level of resources needed to meet anticipated and unanticipated needs in the short and long term; and
  - require a business case from academies which maintain a reserves level in excess of 10% of all annual income for a period of 24 months or more.

## **6. Additional funds available to support individual academies**

- 6.1 Academies are able to apply to the Trust to use additional resources which would reduce their reserves below the 5% level stated above, subject to:
- The Trust is able to maintain the required minimum levels of reserves in aggregate across all schools, as outlined above;
  - The academy is able to provide a 3 year budget which shows a return to a minimum reserves level of 5% by the end of a 3 year period; and
  - The Trust Board, in its discretion, approves the use of additional funds on the basis of a business case submitted by the academy.
- 6.2 The policy is the responsibility of the Trust and decisions involving the use of reserves will be made in accordance with the Governance documents of the Trust.

## **7. Academies joining the Trust**

- 7.1 Academies joining the Trust (or upon conversion) will normally bring in accumulated reserves. When joining CAT, the Trust will make a levy to the central CAT reserves of up to £50k or a maximum of 25% of the academy / academies unrestricted reserves, after specific designations, at the point of conversion or transfer in such cases, thereafter reserves should be maintained in accordance with this policy. This levy will contribute towards the legal and due diligence costs incurred in the successful conversion or transfer.



## **8. Monitoring and reporting**

8.1 Each year, the Trust will report in the financial statements:

- The level or range of reserves considered appropriate for the academy trust;
- The level of reserves at year-end;
- How the Trust is going to achieve the desired level or range of reserves; and
- How often the reserves policy is reviewed.

## **9. Pensions Liabilities**

9.1 The risks surrounding the Trust's pension liability should be taken into consideration. The presence of a pension's surplus or deficit will result in a cash flow effect for the Trust in the form of an increase or decrease in the Trust's future pension contributions over a period of years. The Trust should assess the ability of CAT (and individual academies) to meet the required pension contributions from projected future income without significantly impacting upon its planned level of activities.

9.2 The above relates only to the Local Government Pension Fund as Teachers Pensions are underwritten by the government.