



# Chiltern Way Academy Trust

Turning Futures Around

## Reserves policy

**Responsibility for this policy (job title): Business Director**

**Responsibility for its review: FPGP**

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**Next Review Date: Spring 2023**

## **CONTENTS**

<b>Purpose</b>	<b>3</b>
<b>Unrestricted funds</b>	<b>3</b>
<b>Identification of appropriate use of reserve funds</b>	<b>3</b>
<b>Authorisation of use of reserves</b>	<b>4</b>
<b>Reporting and monitoring</b>	<b>4</b>
<b>Review of policy</b>	<b>4</b>

## **Purpose**

The purpose of the reserves policy is to ensure the stability of the academy's organisational operations, to protect it so that it has the ability to adjust quickly to financial circumstances, such as large unbudgeted expenditure, cyclical maintenance and working capital. Academies are expected to create reserves from their annual funding in relation to Revenue and Capital. The trustees require a capital reserve to be created for short-term premises and staffing contingency and to fund future long-term capital projects.

## **DEFINITIONS AND GOALS**

### **Unrestricted Funds**

These are made up of the academy's main income for the academy which is General Annual Grant (GAG), High Needs, Commissioned Funds and activities for generating funds including Lettings and Rents which are expendable at the discretion of the trustees in furtherance to achieve the objectives of the academy.

The minimum target for these reserves should be equal to one month's average operational costs such as salaries and pensions, occupancy costs and external services costs. The Trust Board will review the reserve levels annually. The review will encompass the nature of the 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 the reserves should be equivalent to minimum 2 months' salary expenditure, approx. £800,000. In addition, the academy budgets each year for contingencies for Premises (£50,000).

The reason for this is to provide sufficient working capital to cover delays between spending and receipts of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance. All reserves are reported and reviewed regularly at management meetings and expenditure from reserves approved by the trustees.

## **USE OF RESERVES**

### **1. Identification of appropriate use of reserve funds**

The Trustees and Senior Leadership Team will identify the 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.

## **2. Authorisation of use of reserves**

Authorisation to use reserves of any kind will be made by the Trustees and Finance Committee, at the next available meeting then approval should be noted in the minutes.

## **3. Reporting and monitoring**

The Trustees are responsible for ensuring that the funds are maintained and are used only as described in this policy. Upon approval for the use of the funds, the Academy will maintain a record of the use of the funds. The Finance Committee should regularly monitor the progress of the reserves.

4. Reserves should not be used to make up for income shortfalls, unless the organisation has a plan to replace the income or reduce expenses in the near-term future. In short, reserves should be used to solve timing problems, not deficit problems.

## **REVIEW OF POLICY**

This policy will be reviewed by the Finance Committee every year or sooner if warranted by internal or external events or changes. Changes to policy will be recommended by the finance committee to the Trust Board.