



ATLAS Multi Academy Trust

RESERVES POLICY

Trust sub-committee: Resources audit and Risk Committee

Co-ordinator: ATLAS Executive Team

Last Reviewed: Spring 2021

Next Review: Spring 2023

St Albans Girls' School : Beech Hyde Primary School and Nursery : The Adeyfield Academy

Signed by:
Margaret Chapman
Executive Head Teacher

Signed by:
Rachael Kenningham
Chair of ATLAS Board of Directors

1.	RATIONALE	
1.1	<p>The Trustees and Local Governing Bodies need to consider the level of reserves the Trust, and its sponsored academies, should hold. Levels of reserves which are too high tie up money which should be spent on current pupils. Levels of reserves which are too low may put the future activities of the Trust at risk.</p> <p>The Reserves Policy:</p> <ul style="list-style-type: none"> • assists in strategic planning by considering how new projects or activities will be funded • informs the budget process by considering whether reserves need to be used during the financial year or built up for future projects • informs the budget and risk management process by identifying any uncertainty in future income streams 	
2.	AIMS	
2.1	The Trustees of the Trust require a capital and a revenue reserve to be created to fund future capital expenditure.	
3.	PROCEDURES	
	Types of reserves	
3.1	<p><i>Unrestricted Funds</i></p> <p>Unrestricted funds (including Designated reserves see 3.4) represent those resources which may be used towards meeting any of the charitable objects of the Trust at the discretion of the Trustees.</p> <p>If part of an unrestricted income fund is earmarked for a particular project it may be designated as a separate fund, but the designation has an administrative purpose only, and does not legally restrict the Executive Teams' discretion to spend the fund. Unrestricted</p>	

	<p>Reserves will be achieved through operational efficiencies and any trading activities undertaken by The Trust</p> <ul style="list-style-type: none"> • Unrestricted Reserves are generally defined as funds held after excluding: Endowment funds (permanent & expendable); Restricted funds; and Funds that can only be generated on the sale of fixed assets used for charitable purposes.
3.2	<p><i>Restricted General Funds</i></p> <p>Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder/donor. These would predominantly be government funds but may include other funds from sponsors/other donors.</p> <p>Restricted funds are only available for expenditure once The Trust has met its commitments and other planned expenditure and is in accordance with the limitations outlined in the original funding.</p>
3.3	<p><i>Restricted Fixed Asset Reserves</i></p> <p>On conversion the Trust inherited land, buildings and equipment from the local authority. This was included as gifted income to the Trust. The Trust also receives funding for the explicit purpose of purchasing items of a capital nature. As this income should not be used to fund fluctuations in revenue funding it is held separately from the restricted general reserves as restricted fixed asset reserves.</p>
3.4	<p><i>Designated reserves</i></p> <p>Designated Reserves are reserves that have been set aside at the discretion of the Trustees in furtherance of any of the MAT's objectives. Where a designation has been identified, the purpose and timing of any expenditure must be explained.</p> <p>The target range for any Designated Reserve will be determined by the nature of the designation itself; the reserves will be derived from unrestricted and restricted funds where applicable.</p>
3.5	<p><i>Pension Reserve</i></p> <p>The risks surrounding The Trusts pension liability have been taken into consideration when calculating the target ranges. The presence of a pension surplus or deficit does not constitute an immediate liability or realisable asset and does not mean that the equivalent amount is already committed or no longer available to The Trust</p> <p>The presence of a pension surplus or deficit will generally result in a cash flow effect for The Trust in the form of an increase or decrease in employers' pension contributions over a period of years. The Trust is confident that it can meet the required pension contributions from projected future income without significantly impacting upon its planned level of activities.</p> <p>The Trust continues to calculate its reserves without setting aside a Designated Reserve to cover the pension liability.</p>
Target reserves for the financial year	
3.6	<p>The level of reserve will be reviewed and set on an annual basis as part of the budget setting plan. A reserves figure above nil is considered essential to the ongoing viability of the Trust.</p>
3.7	<p>The financial risks identified determine the amount of reserves the Trust targets to hold. When considering an appropriate level of reserves, the Trustees consider:</p> <ul style="list-style-type: none"> • the risk of unforeseen emergency or other unexpected need for funds

	<ul style="list-style-type: none"> • covering unforeseen day-to-day operational costs, for example employing temporary staff to cover a long-term sickness absence • a fall in a source of income, such as lettings • planned commitments, or designations, that cannot be met by future income alone, for example plans for a major capital project • the need to ensure sufficient working capital to cover delays between spending and receipt of grants • fluctuations in income caused by changes in student numbers or fluctuations caused by changes to the funding formula <p>At a minimum the level of total restricted and unrestricted revenue reserves at any time should be equal to one month's salary expenditure of the Trust</p>
3.8	<p>Individual academies within the Trust are expected to be financially self-supporting and to produce a balanced budget over a 3-year period, with an amount of carry forward commensurate to the level of financial risk. This could be anything up to around 10% of total revenue income. In certain circumstances, due to a growth plan <u>approved by the Trustees</u>, it may necessary for an individual academy to enter a deficit budget for the year and/or enter a short term deficit reserves position.</p> <p>Where a constituent academy generates an in-year deficit, the academy will need to confirm to the Executive Team how the revenue deficit arose (i.e. via unanticipated events or poor budget management). There will be a different treatment for those revenue deficits that were preapproved and those which were not pre-approved by The Trust in advance.</p> <p><i>Approved revenue deficit</i> Where The Trust has formally approved for a constituent academy to incur additional expenditure following the approval of the budget, the revenue deficit will be dealt with as outlined when it was approved.</p> <p><i>Unapproved revenue deficit</i> Where The Trust had not formally approved for a constituent academy to incur additional expenditure following the approval of the budget, the in-year revenue deficit will not be repaid back in the following year. The cause of the deficit will however be examined by the Executive Team; and if required this will be dealt with through The Trusts performance management process</p>
3.9	<p>The Trust does not pool reserves or transfer surpluses from one academy to meet deficits in another. However, in circumstances such as those outlines in section 3.8 where a deficit reserve position is demanded by the growth plan of individual academies and is approved by the Trustees, as a whole Trust the reserves can be used to offset an individual academy in a deficit position as long as the overall reserves for the Trust are positive and meet the requirements outlines above.</p>
3.10	<p>The Trust also targets to build up centrally-held reserves to meet contingencies including financial emergencies or Trust development matters such as professional fees in relation to growing the MAT. Again, the level of reserve is determined by the level of risk and other factors outlined above, but would generally be up to around 12% of central top slice income.</p>
4.	DURING THE FINANCIAL YEAR
4.1	<p>In-year reports to Trustees and Governors:</p> <ul style="list-style-type: none"> • compare the amount of reserves held with the budget • explain any shortfall or excess in reserves against budget • explain any action being taken or planned to bring reserves into line with budget

		The movement of funds to and from the reserves identified (other than movements from restricted to unrestricted) above will be at the discretion of the Trustees (via the Resource, Audit and Risk Committee), subject to the restrictions which will remain attached to Restricted Funds (Revenue and Capital) and their use. The movement of funds from restricted to unrestricted must be subject to obtaining appropriate consent from the original donor of the funds.
5.	MONITORING	
	5.1	The policy and procedures will be monitored on an on-going basis by the Trust Chief Operating Officer and Resource Committee on a regular basis to ensure that any new or changed legislation is adhered to.
6.	SCHOOLS JOINING THE TRUST AND TREATMENT OF RESERVES	
	6.1	<p>All balances will remain with the constituent school/academy, unless specifically agreed as part of the legal conversion or transfer documentation (e.g. The Trust agrees to use part of the surplus reserves to fund a particular project on conversion or transfer)</p> <p>Where balances are transferred into The Trust and do form part of a legal or transfer document, the balance will be managed and reported in line with that legal conversion or transfer documentation.</p> <p>Other balances transferred in, that are not subject to any legal or transfer documentation, will be managed, monitored and reported on a constituent academy basis.</p>
7.	SCHOOLS LEAVING THE TRUST AND TREATMENT OF RESERVES	
	7.1	<p>If a constituent academy leaving The Trust has a deficit revenue balance, the constituent academy will leave The Trust with that deficit revenue balance.</p> <p>If a constituent academy leaving The Trust has a surplus revenue balance, the constituent academy will leave The Trust with that surplus revenue balance</p>