



Built on botheredness . . .

the **enquire**
learning trust

Reserves Policy



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July 2022	JY		Update to Section 4 – Maintaining a minimum level of reserves
Sept 2023	JO		Review

1. Introduction and background

1.1 The Trust Board is responsible for the effective and efficient use of available resources as outlined by the Charities Commission

1.2 Regardless of the regulatory requirement, 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.

1.3 Whilst the Trust does not wish to hold excessive reserves, as it believes that funds should be expended on the pupils of today, it also recognises that a level of reserve is required to cover unforeseen events and areas of investment.

2. Purpose of the policy

2.1 The Trust Reserves Policy:

- 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
- Enables investment decisions to be made at Trust level, where necessary utilising reserves across the Trust
- 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. Maintaining a minimum level of reserves

4.1 The Trust must maintain a minimum reserves balance equal to 2.5% of total annual income. We recognise as Trustees – and as recommended by our external auditors – that this needs to be increased in order to protect the Trust against risks set out in paragraph 3 of this policy. Therefore, reserves will be increased over a 3-year period as follows:

- 3% 2022-2023
- 4% 2023-2024
- 5% 2024-2025

4.2 For the purpose of this policy, reserves are deemed to exclude restricted fixed asset funds and income transferred in on conversion of a new academy.

4.3 The minimum level of reserves is ultimately limited by the need to maintain a positive net assets position for the Trust.

5. Monitoring and reporting

5.1 The policy will be monitored regularly for any changes in legislation or directions from the DFE which may have an effect and will be evaluated in light of any comments made by the DFE, ESFA, auditors and any other interested parties.

5.2 The Director of Finance will monitor the level of reserves throughout the year and report to the Trust Board on any problematic variances against the level set.