



The
MAST
 Academy Trust

Policy	Capital and Revenue Reserves Policy		
Owner	Melanie Humphreys – Executive Administrator		
Date approved	12th February 2020	Adopted from	February 2020
Approver	Martyn Jones	Signature	<i>Martyn Jones</i>

Current version	V3.0
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Next review due	Spring Term 2021
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Objective of Policy
This policy outlines the process and procedures in capital and revenue reserves.

Version Control	
Version Number	Summary of amends from previous version
3.0	Front cover update, annual review

Sign off requirements	
Approvers	Position
Chair of trustees ratification	Martyn Jones
Local LGB adoption approval	Chair of Governors per LGB
Reviewers	Position
Jason Field	CFO The MAST
Philip Oldfield	Trustee

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1.0 Purpose of Reserves

- 1.1 The Academy Trust will create and maintain reserves in order to ensure that the Trust and its academies are able to withstand the impact of unbudgeted financial events without compromising the educational outcomes of current and future students of the Academies under its stewardship.
- 1.2 These reserves may also be used to where the Board of Trustees deem it appropriate to approve a short term in-year deficit budget for a particular school. This would allow funds to be expended in exceptional circumstances to support agreed key objectives for that school. Longer term deficit plans, or Trust wide deficit plans would not be acceptable as this would contravene the Funding Agreement and the stipulations laid out in the Academies Financial Handbook.
- 1.3 These reserves will be identified at individual school level and will be used to benefit the students of those schools.
- 1.4 Funding given by the Education and Skills Funding Agency is for the benefit of the students educated by the Trust. Therefore, excessive levels of reserves should not be held as this will potentially have a detrimental impact on the educational outcomes of students.

2.0 Background

- 2.1 On transfer from the Local Authority, surplus funds held by the local authority have been transferred to the Academy Trust as income in the first year of operation. These funds transfer to the schools of the Trust and amounted to around £375k in unrestricted funds (see definition below). Any other funds transferred are not available for discretionary expenditure as they relate to restricted fixed asset funds or pensions reserves.
- 2.2 These funds were identified as a separate entry in the Budget for the first period of operation of the Academy Trust by individual school, and recorded as a separate income entry by school in the accounting system when the funds are transferred by the Local Authority.
- 2.3 Reserves will be split into Revenue and Capital, with Capital Reserves being specifically earmarked for expenditure on Capital projects. This is laid out in more detail in the Master Funding Agreement for the Academy Trust.
- 2.4 There is no limit to the level of reserves that can be brought forward from prior years by the Academy Trust, as laid out in the Master Funding agreement and subject to revisions to the Academies Financial Handbook.

3.0 Types of Reserves

3.1 Unrestricted Reserves

3.1.1 Unrestricted Reserves are derived from income funds, grants or donations that can be spent at the discretion of the trustees and governors in furtherance of any of Mast Academy Trust's objectives and do not have specific conditions of grant associated with them.

3.1.2 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 Trustees discretion to spend the fund.

3.2 Restricted General funds

3.2.1 Restricted General Funds may be restricted income funds, grants or donations that are spent at the discretion of the Trustees in furtherance of some particular aspect(s) of the objects of Mast Academy Trust as defined by our funding agreement and the conditions of grant for funds received.

3.2.2 Restricted General funds must be spent in line with the conditions of the grant funding identified. The largest proportion of this funding is currently through the General Annual Grant that must be spent on the delivery of education for the children served by the Trust.

3.3 Restricted Fixed Asset Fund

3.3.1 As funds are committed to capital expenditure (items over £1,000 or donated assets) They will be shown in a Restricted Fixed Asset Fund. This is to indicate that Funds have been committed to these assets and are no longer available for use for other purposes.

3.3.2 The value of this reserve will match exactly the cost of the assets defined as capital less the current accumulated depreciation associated with these assets.

3.3.3 Once purchase of such assets has been made from either Capital or Revenue funding streams and uncommitted reserves, they are moved into a separate Restricted Fixed Asset Fund indicating that this funding is fully committed for the life of the asset.

3.3.4 Any surplus on this fund will be capital income received that has not been spent on Capital items.

3.3.5 Fixed Asset (Capital) funds received may not be spent on revenue items, although shortfalls in capital funding may be supplemented from General and Unrestricted funds.

3.4 Pension Reserve (held within Restricted General Funds)

- 3.4.1 The value of Mast Academy Trust's pension liability will be calculated as part of the Annual Statutory Accounts for funded schemes (i.e. LGPS for support staff). 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 Academy Trust. An equivalent liability will be shown in the balance sheet against this reserve.
- 3.4.2 The presence of a pension surplus or deficit will generally result in a cash flow effect for Mast Academy Trust in the form of an increase or decrease in employers' pension contributions over a period of years (this is currently determined by a tri-annual valuation conducted by the pension scheme). The Academy Trust is confident that it can meet the required pension contributions from projected future income without significantly impacting upon its planned level of activities.

4 Levels of Reserves

- 4.1 Reserve levels should be monitored regularly by the Board of Trustees at both the Board and Finance committee meetings to ensure that plans set out for levels of reserves are being adhered to and that any planned use of reserves is being carried out as planned.
- 4.2 A reserve level will be proposed as part of the annual budget setting round. This must be approved by the Board of Trustees.
- 4.3 The objective of the trust should be to ensure that a satisfactory level of reserves should be created and maintained from year to year in line with purpose of reserves referred to in section 1.
- 4.4 It is recommended that the Trust should hold uncommitted reserves (being made up of unrestricted funds and restricted general funds before pension liabilities) of between 3-5% of its total income.
- 4.5 Reserve levels against all different classifications of reserves will be reported in the Statutory Accounts annually.