



The

MAST

Academy Trust

Policy	Capital and Revenue Reserves Policy	
Owner	The Mast Executive Administrator	
Date approved	9 th March 2023	
Approver	Trust Board Finance Committee	

Current version	V6.0
------------------------	------

Next review due	Spring 2024
------------------------	-------------

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
4.0	Annual review
5.0	Annual review
6.0	Annual review: update to bullet points 1.4 and 2.1

Sign off requirements	
Approvers	Position
David Webster	Chair of Finance Committee
Reviewers	Position
Jason Field	CFO The MAST
David Webster	Trustee

Section Number	Content	Page Number
1.0	Purpose of reserves	3
2.0	Background	3
3.0	Types of reserve	4
4.0	Levels of reserves	5

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 Trust 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 (ESFA) 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. The ESFA has indicated that Trust's holding in reserves in excess of 20% of income will be asked further questions as to the reasons for holding these levels of reserves

2.0 Background

- 2.1 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. Only Revenue reserves (unrestricted and restricted general) will be used to calculate the percentage of reserves available, with capital reserves and being committed to current or completed projects and the pensions reserve being specifically allocated to this surplus or deficit as calculated by the actuaries of the Trust.
- 2.2 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 Academy Trust Handbook.

3.0 Types of Reserves

3.1 Unrestricted Fund 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 Fund Reserve

- 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 Reserve

- 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) 5% as a minimum.
- 4.5 Reserve levels against all different classifications of reserves will be reported in the Statutory Accounts annually.