



# CASTLEMAN ACADEMY TRUST

## **POLICY :**

### **Reserves**

**Author: Chief Financial Officer**

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**Review Body: Trust Finance and Audit Committee**

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**Review Date: Spring 2024**

**Review Frequency: Annual**

# CASTLEMAN ACADEMY TRUST

## RESERVES POLICY

### Purpose

The purpose of the Reserves Policy for the Trust is to ensure the stability of the Trust's operations, to protect it so that it has the ability to adjust quickly to changing financial circumstances, such as large unbudgeted expenditure, cyclical maintenance and working capital fluctuations. Multi Academy Trusts are expected to create reserves from both the annual GAG funding allocated to their Schools and their own resources in order to create a degree of financial resilience to allow them to adjust to uncertain future events.

The Trustees of the Castleman Academy Trust require that reserves are created to fund future capital expenditure, future development plans and strategic long term aims and developments.

### Definitions and Goals

#### **Restricted Funds**

Restricted funds are generated from the main income for the Trust schools, which is the General Annual Grant (GAG) and other grant contributions or donations that are received for a specific project or purpose. These funds are restricted for the use according to the funding agreements or donor's instructions.

Academies can carry forward GAG restricted funds to be used for future years, primarily to fund capital expenditure together with a small percentage for operational purposes.

Restricted funds are reported and reviewed regularly at management meetings and expenditure from Restricted funds is approved by the Trustees where required under the terms of this Reserves Policy.

#### **Unrestricted Funds**

Unrestricted funds are generated from the Trust's activities for raising funds, investment income and other donations which are expendable at the discretion of the Trustees to achieve the objectives of the Trust and its Schools.

These funds are generally built up over time from fund generating activities and investments and through one-off donations.

Unrestricted Funds are reported and reviewed regularly at management meetings and expenditure from Unrestricted Funds is approved by the Trustees where required under the terms of this Reserves Policy.

#### **Designated Funds**

These are unrestricted funds that have been allocated by the Trustees for a particular purpose.

Designated funds are reviewed regularly and approved by the Trustees and the Finance Committee.

#### **Reserve levels**

The Trustees have determined that the appropriate level of reserves at each of the Trust's Schools, and across the Trust as a whole, should be equivalent to one month's average operational costs which will include salaries and pensions, occupancy costs and external services costs. The Trust will review the reserve levels annually and this review will encompass the nature of the income and expenditure streams, the need to match income with commitments and the nature of reserves. 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.

The required level of reserves under this policy for the 2023-24 financial year has been determined to be £980,000 across the Trust as a whole.

## **Use of Reserves**

### **1. Use of Reserves delegated to Schools**

Subject at all times to the level of reserves at each School being maintained in accordance with this Reserves policy, individual Schools may use up to £50,000 of their reserves in each financial year to reduce their budgeted surplus, increase their budgeted deficit, or undertake capital expenditure.

Usage of reserves by individual Schools under this delegation must be authorised in advance by the relevant School Standards Board (SSB), and notified to the Trust CEO and CFO. In assessing whether to approve the usage of reserves, SSBs should consider both the in-year and future year effect of any commitments that are entered into.

Where usage of reserves has been agreed, this should be included within the next updated financial forecast that is prepared for the School.

Usage of reserves under this delegation must be notified to the Trust Finance & Audit Committee at the next available opportunity and noted in the minutes.

### **2. Use of Reserves delegated to CEO and CFO**

Subject at all times to the overall level of reserves being maintained in accordance with this Reserves policy, the CEO and CFO (acting jointly) can approve the usage of reserves of up to £50,000 to pursue one-off projects.

Usage of reserves under this delegation must be notified to the Trust Finance & Audit Committee at the next available opportunity and noted in the minutes.

### **3. Other use of Reserves**

Any use of Reserves that is not covered by delegations 1. and 2. above must be approved in advance by the Trust Finance & Audit Committee. Authorisation to use reserves will be made by the Trustees and the Finance Committee, at the next available meeting and then approval should be noted in the minutes.

### **4. Negative Reserves**

With advance approval from the Finance & Audit Committee under 3. above, an individual School may be left with negative reserves. This is acceptable under the policy, provided that the overall level of the reserves of the Trust are maintained at the required level, and that a plan to ensure that the School's reserves are brought back to a positive balance within a reasonable timescale has been provided.

### **5. Responsibility 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 School will maintain a record of the use of the funds. The Finance Committee should regularly monitor the progress of the reserves.

### **Review of Policy**

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

### **Equality Impact Assessment**

The Trust does all it can to ensure that its policies do not discriminate against pupils or others, either directly or indirectly, in line with any Equality Act 2010 protected characteristics.