



St Edmundsbury and Ipswich
Diocesan Multi Academy Trust

Reserves Policy

Date Approved and Minuted	MAT Board	24 January 2018
Date of Next Review	MAT Board	January 2021

RESERVES POLICY

Where reserves are held, it is a requirement of the charity accounting regulations that charity Trustees must state their reserves policy in their annual report. Further details may be found in Accounting and Reporting by Charities: Statement of Recommended Practice 2005 (Updated 2008); commonly referred to as the Charity SORP.) The St Edmundsbury and Ipswich Diocesan Multi Academy Trust, as an exempt charity, must comply with these regulations. Guidance on reserve policies and their reporting requirements is contained in the Education Funding Agency's (EFAs) annual Academies Accounts Direction.

The purpose of the reserves policy for the MAT is to ensure the stability of the schools' operations, to protect it so that it has the ability to adjust quickly to financial circumstances, such as large unplanned expenditure, cyclical maintenance and working capital requirements. The MAT holds reserves in order to provide sufficient working capital to cover delays between spending and receipt of grant income, to provide a cushion to deal with unexpected emergencies such as urgent maintenance or long term sickness where unforeseen costs are incurred and to build up funding for planned future capital projects.

DEFINITIONS AND GOALS

Fund Accounting

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by funders where the asset acquired or created is held for a specific purpose.

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder/donor and include grants from the Education Funding Agency. This covers the majority of the MAT's funding from the Education Funding Agency.

Unrestricted funds represent those resources which may be used towards meeting any of the charitable objects of the academy trust at the discretion of the Directors. Designated funds are part of unrestricted funds that have been set aside to be used for a particular future project or commitment. Although earmarked, a designated fund remains part of the unrestricted funds of the charity. This is because the designation does not legally restrict the Directors' discretion in how to apply the unrestricted funds that they have earmarked.

Free Reserves

Since the majority of the MAT's income is restricted grant funding received at the beginning of the month, there is no level set for free reserves. In practice, free reserves are mostly used by schools to support their overall financial position and quickly become designated funds for a project or to top up revenue income.

Other reserves

The minimum target for the remaining reserves are:

Central MAT – amount equivalent to one month's payroll costs across all schools 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 Directors will review the reserve

levels annually when the budgets are set. All reserves across the MAT are reported to the Directors and reviewed throughout the year via budget monitoring.

Schools - Balances may be put aside for contingency planning, fluctuating pupil numbers, school development plans and capital projects. These reserves will be initially agreed by local governing bodies on an annual basis as part of budget setting and reviewed throughout the year via budget monitoring. Schools are encouraged to spend prudently and appropriately without building excessive levels, hence an initial target is not specified.