JOHN TAYLOR MULTI ACADEMY TRUST

Reserves Policy

Implementation date: January 2016

Reviewed on: July 2017, 2019, 2021, 2023

Next review due: July 2025

Policy owner: Barbara Mahoney

INTRODUCTION

This policy establishes a framework within which decisions will be made regarding the level of reserves held by the Trust and the purposes for which they will be used and maintained.

The 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;
- informs the budget and risk management process by identifying any uncertainty in future income streams.

Details of all reserves and year-end balances are contained in the Trust's annual Statement of Accounts.

DEFINITIONS

<u>Restricted Fixed Asset Reserves</u>
On conversion of schools, the Trust inherits land and buildings from the local authority/SAT which is included as gifted income to the Trust. The Trust also receives funding for the explicit purpose of purchasing items of a capital nature. As this income should not be used to fund fluctuations in revenue funding it is held separately from the restricted general reserves as restricted fixed asset reserves.

<u>Restricted General Funds</u>
Restricted general funds comprise all funds received with restrictions imposed by the funder/donor. These would predominantly be government funds but may include other funds from sponsors/other donors. Occasionally schools transfer into the Trust with funds that are restricted in nature.

<u>Unrestricted General Funds</u>
Unrestricted funds represent those resources which may be used towards meeting any of the charitable objects of the Trust at the discretion of the Trustees.

The Trust will maintain an adequate level of unrestricted reserves to:

- provide a working balance to cushion the impact of uneven cash flows and avoid necessary short term borrowing;
- provide a contingency to cushion the impact of unexpected events, emergencies and large shortfalls in budgets;
- plan for potential major items of expenditure.

The appropriate level of reserves for this purpose will be determined by the JTMAT Audit and Compliance Committee and will be reviewed annually and will be subject to approval by the Trust Board.

The Trust will not maintain levels of restricted and unrestricted reserves that are excessive compared with total income levels. The current level agreed by Trustees can be up to 12% of total GAG income. In addition, the Trust may retain reserves for known major items of expenditure as detailed in its annual Trustees report.

The adequacy of the total general reserves balance (restricted and unrestricted) will be reviewed annually and determined by assessing the financial risks associated with meeting continuing obligations to provide services.

Factors which should be taken into account in determining the overall level of reserves and balances are:

- assumptions regarding inflation;
- estimates of the level and timing of capital receipts;
- treatment of demand-led pressures;
- treatment of savings;
- the Trust's capacity and track record to manage in year budget pressures;
- the adequacy of insurance arrangements.
- impact of major unforeseen events eg fluctuations in income caused by changes to the funding formula; and
- the likely level of Government support following major unforeseen events.

NOTE 1

John Taylor MAT has a low risk approach to the investment of surplus funds. The Trust does not distribute interest earned on reserves to schools but rather uses this as one of a number of sources to support some identified school-based projects.

NOTE 2

In accounting for the Local Government Pension Scheme, the Fund recognises that there is a pension fund deficit which is included in unrestricted funds. This could in theory result in a deficit in unrestricted funds, however it must be stated that an immediate liability for this amount is not crystallised. The pension deficit will be dealt with by an increase in the employers' pension contribution over a period of years and the 3 Year Plan and annual budgets must take into account these additional contributions. Therefore, whilst the deficit might not be eliminated, there should be no actual cash flow deficit on the fund, or direct impact on the uncommitted reserves of the Trust because of recognising the deficit.