

Appendix 2

South York Multi Academy Trust Financial Reserves Policy

1. Context

The South York Multi Academy Trust (MAT) has established a reserves policy to provide a financial comfort zone against an unpredictable environment and to make sufficient provision for future cash flow requirements and capital procurement. The policy also provides the framework for future strategic planning and decision-making. The development of an effective reserves policy will restrict the impact of any risk upon the continuing operations of the MAT.

The reserves policy and the establishment of ranges is based upon an annual risk assessment of the internal and external operating environment, as well as having a due regard for the nature of activities undertaken by the MAT for its beneficiaries.

2. Types of Reserves

2.1 Unrestricted Reserves

Unrestricted Reserves (including Designated Reserves) are derived from income funds, grants or donations that can be spent at the discretion of the Trustees in furtherance of any of the MAT's objectives.

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. Unrestricted Reserves will be achieved through operational efficiencies and any trading activities undertaken by the MAT.

Unrestricted Reserves are generally defined as funds held after excluding:

- Endowment funds (permanent & expendable); Restricted funds; and
- Funds that can only be generated on the sale of fixed assets and used for charitable purposes.

The cumulative target range for Unrestricted Reserves has been established at between 2% and 5% of unrestricted income for each financial year of the combined General Annual Grant (GAG) and Top-Up funding of constituent schools in the Trust.

2.2. Restricted Reserves

Restricted Reserves (including Designated Reserves) 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 the MAT; or where the nature of expenditure has been defined by the donor; or they may be endowment funds, where the funds or assets are required to be invested or retained for actual use, rather than spent. This will include the donations made towards educational visits.

Restricted Reserves are only available for expenditure once the MAT has met its commitments and other planned expenditure and is in accordance with the limitations outlined in the original funding. The cumulative target range for Restricted Reserves (Revenue) has been established at between 2% and 5% of total income for each financial year, excluding the impact of the Pension Deficit/Surplus.

Restricted Reserves also are inclusive of capital items and are defined as Restricted Fixed Asset Reserves. This reserve is specifically held for capital purposes in furtherance of some particular aspect of the objectives of the MAT. The cumulative target range for all Restricted Reserves has been established at between 2% and 5% of total income for each financial year.

All Restricted Reserves will be generated through improved operational efficiencies and effective manpower planning and resourcing in addition to a proactive programme to identify relevant sources of grant funding.

2.3. Designated Reserves

Designated Reserves are reserves that have been set aside at the discretion of the Trustees in furtherance of any of the MAT's objectives.

Where a designation has been identified, the purpose and timing of any expenditure must be explained.

The target range for any Designated Reserve will be determined by the nature of the designation itself; the reserves will be derived from unrestricted and restricted funds where applicable.

2.4. Pension Reserve

The risks surrounding the MAT's pension liability have been taken into consideration when calculating the target ranges. 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 MAT.

The presence of a pension surplus or deficit will generally result in a cash flow effect for the MAT in the form of an increase or decrease in employers' pension contributions over a period of years. The MAT is confident that it can meet the required pension contributions from projected future income without significantly impacting upon its planned level of activities.

The MAT continues to calculate its reserves without setting aside a Designated Reserve to cover the pension liability.

3. Management of Reserves

Reserves held in excess of the target percentage will be reviewed by the MAT on a regular basis and an appropriate range of options will be considered which might include releasing the funds into the revenue budget in furtherance of the MAT's objectives; assigning funds to appropriate designated reserves as may be determined by the MAT; or investing the funds to generate further income to allow expansion of the MAT's work.

The movement of funds to and from the reserves identified (other than movements from restricted to unrestricted) above will be at the discretion of the MAT, or the appropriate sub-committee where delegated authority has been provided by the Board of Trustees, subject to the restrictions which will remain attached to Restricted Funds (Revenue and Capital) and their use.

The movement of funds from restricted to unrestricted must be subject to obtaining appropriate consent from the original donor of the funds. This will not be the case in the management of

educational visits donations. Where donations for trips exceed the actual costs and this surplus amounts to £10 or less per head. The remaining balance will be transferred into unrestricted reserves. Where surplus are above these amounts they will be returned to the donor.