



Trust Financial Reserves Policy

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“Learning together; to be the best we can be”

1. Context

- 1.1. Nexus Multi Academy Trust (MAT) has established a reserves policy to protect its activities by providing 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.
- 1.2. 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 under taken by the MAT for its beneficiaries.

2. Scope

- 2.1. This policy relates to all schools and settings across Nexus MAT and supersedes any local policies and procedures that have been in use prior to the academy conversion. Where required, an individual Nexus MAT academy – in agreement with the Trust Chief Executive Officer - may publish a supplementary policy guidance document or procedure in line with this policy, to ensure that any idiosyncrasies associated with that specific school are covered in their local policy library.

3. Types of Reserves

3.1. Unrestricted Reserves

- 3.1.1. Unrestricted Reserves (including Designated Reserves) are derived from income funds, grants or donations that can be spent at the discretion of the directors in furtherance of any of the MAT's objectives.
- 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 directors' discretion to spend the fund. Unrestricted Reserves will be achieved through operational efficiencies and any trading activities undertaken by the MAT.

3.1.3. 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 used for charitable purposes.

3.1.4. The cumulative target range for Unrestricted Reserves has been established at between 2% and 5% of unrestricted income for each financial year.

3.2. Restricted Reserves

3.2.1. Restricted Reserves (including Designated Reserves) may be restricted income funds, grants or donations that are spent at the discretion of the directors 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.

3.2.2. 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% for each financial year, excluding the impact of the Pension Deficit/Surplus.

3.2.3. 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 AT. The cumulative target range for all Restricted Reserves has been established at between 2% and 5% for each financial year.

3.2.4. 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.

3.3. Designated Reserves

3.3.1. Designated Reserves are reserves that have been set aside at the discretion of the Directors 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.

3.3.2. 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.

3.4. Pension Reserve

3.5. 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.

3.6. 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.

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

4. Management of Reserves

4.1. 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.

- 4.2. 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 Directors, subject to the restrictions which will remain attached to Restricted Funds (Revenue and Capital) and their use.
- 4.3. The movement of funds from restricted to unrestricted must be subject to obtaining appropriate consent from the original donor of the funds.
- 4.4. Using the Trust reserves to continually 'bolster' schools to ensure they achieve a balanced budget is not appropriate or financially sustainable. Nexus schools can carry forward surplus reserves of up to 5% of its annual income within their budgets from one year to the next. The remainder of funds over and above 5% to be transferred to the Trust and held centrally. Only the Trust Board can agree any use/transfer of Trust Reserves to any of its constituent academies following the submission of a formal business case.
- 4.5. Funds should only be transferred to the Trust bank account at such a time when it is clear that to do so would not create a deficit cash flow situation.
- 4.6. Trust reserves can be used to support schools that are facing the possibility of setting a deficit budget (which is prohibited for Academies) **only in the event that all of the following criteria are met:**
- that all possible cost saving interventions have been enacted by the school;
 - the financial risks associated with the Trust have been reviewed;
 - that Directors are satisfied that the Trust Reserves are sufficient to withstand a reduction;
 - that as a result of helping a school, Trust Reserves will not fall below the 2% lower threshold set, and
 - all other means of removing the deficit have been exhausted.

5. Reviewing the Policy

- 4.1. The Charity commission recommends that charities develop their reserves policy and their planning at the same time, recognising that strategic and financial planning informs the development of reserves policies and vice versa. For example, the budgets will identify peaks or troughs in cash flow and

the reserves policy will need to ensure the troughs in funding can be met from reserves held.

4.2 The Reserves policy will be regularly reviewed in light of the changing funding and financial climate and other emerging risks. We publish our assessment of the risks that we are facing as part of our statutory accounts/annual report. The Policy will also be amended in line with governmental guidance 'Charity reserves: building resilience'. See this link <https://www.gov.uk/government/publications/charities-and-reserves-cc19/charities-and-reserves>