

TITLE: Reserves Policy	REF: GOV137	VERSION: 1
APPROVAL BODY: ALET Trust Board	DATE: 13.10.22	REVIEW DATE: 12.10.24
LEAD PERSON: CFO		
VERSION	REVIEWER/APPROVAL	REVIEW NOTES
1. New Policy	CFO/ALET Board	New Policy

Policy Statement

It is the purpose of this policy to ensure the stability of the Trust's organisational operations, so that it can adjust quickly to changes in financial circumstances, such as large unbudgeted expenditure, cyclical maintenance, and Working Capital. Charities are required to establish a Reserves Policy in order to protect their operations. However, regardless of the regulatory requirements establishing reserves that protect the operation of the Trust and contribute to its smooth running is good practice and forms part of its overall financial control and governance framework.

Legislation and statutory requirements

As per the Academy Trust Handbook 2022:

'The Board of Trustees must as part of its management of the trust's funds, set a policy for holding reserves and explain it in its annual report.'

Aims

Maintaining an appropriate level of financial reserves is considered essential in protecting the Trust from financial risk generated by, for example:

- Income reduction due to Government funding changes
- Unexpected falls in student numbers
- Cash flow issues due to delays in receipt of funding
- Emergencies

In general, it is considered prudent to maintain a level of useable reserves sufficient to cover unexpected and unplanned events so that the Trust's primary objective is preserved. At the same time, the Trust wishes to ensure that it uses its funding to benefit the students in its care which implies an imperative to consider actively the use of reserves to enhance educational provision.

Trustees will monitor levels of reserves in financial reports provided by the Trust Chief Finance Officer and in the annual financial statement prepared by the Auditors. Trustees will look to ensure that a prudent level of reserves is maintained, bearing in mind the recurrent spending needs to ensure high quality provision. In deciding the level of reserves Trustees will consider the following:

- One month salary cost
- The Trust's annual budget
- The need for any large project expenditure such as facilities development or building condition needs
- Any uncertainty, turbulence or expected reduction in funding arrangements, including the level of transitional protection within the Trust funding and its expiry date
- Anticipated funding over the next three years.

Monitoring arrangements

This policy will be reviewed biennially by the Trust Chief Financial Officer and Activate Learning Education Trust board of Trustees. Any amendments will be presented at a meeting of the trustees for approval.