



BDMAT
Birmingham Diocesan
Multi-Academy Trust

Reserves Policy

Issued: May 2018
Next review due: Summer 2021



1.0 Introduction

- 1.1 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 2015; commonly referred to as the Charity SORP. The Birmingham Diocesan Multi-Academy Trust (BDMAT), as an exempt charity, must comply with these regulations.
- 1.2 Guidance on reserve policies and their reporting requirements is contained in the Education & Skills Funding Agency's (ESFA) annual Academies Accounts Direction.

2.0 Purpose

- 2.1 The purpose of the reserve policy for BDMAT is to ensure the stability of the Trust and individual 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.
- 2.2 Whilst it is not mandatory to hold reserves, it is generally considered good business practice to do so. BDMAT 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.

3.0 Types of Reserves

3.1 Unrestricted Reserves

- 3.11 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 Trust's objectives.

- 3.12 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 Trust's discretion to spend the fund. Unrestricted Reserves will be achieved through operational efficiencies and any trading activities undertaken by the Trust.
- 3.13 Unrestricted Reserves are generally defined as funds 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.

3.2 Restricted Reserves

- 3.21 Restricted Reserves (including Designated Reserves) may be restricted income funds, grants or donations that are spent at the discretion of the CEO, Finance Director or Headteachers in accordance with the Scheme of Delegation and in furtherance of some particular aspect(s) of the objects of BDMAT or where the funds or assets are required to be invested or retained for actual use, rather than spent.
- 3.22 Restricted Reserves are only available for expenditure once BDMAT has met its commitments and other planned expenditure and is in accordance with the limitations outlined in the original funding.
- 3.23 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 Trust.
- 3.24 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

- 3.31 Designated Reserves are reserves that have been set aside at the discretion of the Board of Directors in furtherance of any of BDMAT's objectives. Where a designation has been identified, the purpose and timing of any expenditure must be explained.
- 3.32 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

- 3.4.1 The risk surrounding BDMAT's pension liability has 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 BDMAT.
- 3.4.2 The presence of a pension surplus or deficit will generally result in a cash flow effect for BDMAT in the form of an increase or decrease in employers' pension contributions over a period of years. BDMAT is confident that it can meet the required pension contributions from projected future income without significantly impacting upon its planned level of activities.
- 3.4.3 BDMAT continues to calculate its reserves without setting aside a Designated Reserve to cover the pension liability.

4.0 Management of Reserves

- 4.1 The minimum target for the unrestricted and restricted reserves combined should be equal to one month's average payroll costs approximately £510,000 plus any additional following new schools joining BDMAT in year. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grant income and to provide a cushion to deal with unexpected

emergencies such as urgent maintenance or long term sickness where unforeseen costs are incurred.

- 4.2 The Central Finance Team will monitor the level of reserves to ensure they are maintained or above the required level.
- 4.3 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 Board, 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.
- 4.4 The movement of funds from restricted to unrestricted must be subject to obtaining the appropriate consent from the original donor of the funds.

5.0 Reporting and Monitoring Reserves

- 5.1 The Board of Directors are responsible for ensuring that the reserves are maintained and are used only as described in this policy. Upon approval of the use of the funds, the school will maintain a record of the use of the funds. The Finance and Resources Committee should regularly monitor the progress of reserves.