

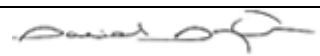
# The Cardinal Newman Catholic Educational Trust

*'Seeking God in all things together'*  
Cardinal Newman

## Reserves Policy 2022/23



### Ratification

Role	Name	Signature	Date
Chair of the Board	Anne Rolls	Anne Rolls	23.6.2022
CEO	Daniel Doyle		23.6.2022

### Details of Policy Updates

Date	Details

## RESERVES POLICY

### 1. Introduction

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

- a. Income reduction due to Government funding changes;
- b. Unexpected falls in student numbers;
- c. Cash flow issues due to delays in receipt of funding;
- d. Emergencies

The Academies Trust Handbook also states, "The board of trustees must, as part of its management of the trust's funds, set a policy for holding reserves and explain in its annual report and may invest to further the trust's charitable aims but must ensure that investment risk is properly managed." It goes on to say: When considering an investment, the Board must:

- act within its powers to invest as described in its articles
- have an investment policy to manage and track its financial exposure and ensure value for money
- exercise care and skill in investment decisions, taking advice as appropriate from a professional adviser
- ensure that exposure to investment products is tightly controlled so that security of funds takes precedence over revenue maximization
- ensure that investment decisions are in the best interests of the trust
- review the Trust's investments and investment policy regularly

In addition, the Board should follow the Charity Commission's Guidance (CC14 Charities and investment matters: A guide for trustees.)

<https://www.gov.uk/government/publications/charities-and-investment-matters-a-guide-for-trustees-cc14/charities-and-investment-matters-a-guide-for-trustees>

### 2. Reserves

In general, it is considered prudent to maintain a level of useable reserves sufficient to cover unexpected and unplanned events so 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.

The Directors review the reserve levels annually and set a target as a percentage of the GAG funding. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The Directors take into consideration the future plans of the MAT and each Academy, the uncertainty over future income streams and other key risks identified during the risk review. Any reserves held are in accordance with the requirements laid down in the Master Funding Agreement and by the ESFA.

From 31st Aug 2022, all academy reserves will be pooled and held centrally thus removing separated fund balances between schools. Any surplus achieved at the end of each academic year will be added to the reserve pool and similarly any approved deficit(s) will be made good by the pooled reserves.

The Board will approve annually in advance any strategic (MAT wide) use of pooled reserves as part of the 3 year plan approval process.

### 3. Monitoring of reserves

Directors will monitor levels of reserves in financial reports provided by the Business Manager and in the annual financial statement prepared by the Auditors. Directors 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, Directors will take into account the following:

- a. One month salary bill for each school
- b. The school's annual budget
- c. The need for any large project spend such as facilities development or building condition needs
- d. Any uncertainty, turbulence or expected reduction in funding arrangements, including the level of transitional and funding protection within the school funding and its expiry date
- e. Anticipated funding over a three-year period

#### **4. Monitoring**

This policy will be reviewed annually.