

## Reserves Policy

Version and Date		Action/Notes: To be reviewed every 2 years
1.0	07.09.17	Approved by Trustees
2.0		

### Introduction:

The Charity Commission reminds directors that:

- Charity law requires any income received by the Trust to be spent within a reasonable period of receipt.
- A good Reserves Policy considers the Trust's financial circumstances and other relevant factors.
- It is good practice to monitor the level of reserves throughout the year.

The Academies Accounts Direction develops these requirements applicable to academies.

There are a number of constraints placed upon academies in terms of financial management. One of these constraints is the inability to borrow funds. This constraint represents a key risk to Elevate Multi Academy Trust (Elevate) in relation to financial planning and monitoring.

One of the ways in which Elevate mitigates this risk is through the effective management of reserves, which provide alternative funding streams should there be sudden unforeseen and unpredictable increase in expenditure.

Setting a reserves policy helps inform the way in which Elevate manages its cash, liquid assets and debt.

### Level of Reserves:

Elevate needs to have sufficient levels of reserves to ensure that any unexpected costs can be met without causing problems regarding cash-flow or an overall budget deficit position.

Trustees consider that current levels of reserves are sufficient but are below the ideal level and that it would be prudent to plan to increase, over time, to a target level equating to approx. 5% of annual income for each Academy - **£170,000 overall**.

Trustees accept that this may take more than one year to achieve.

### Restrictions:

The ESFA are able set limits on the sum of GAG that can be carried forward from one year to the next. There are currently no limits in place.

The DfE does expect academy trusts to use their allocated funding for the full benefit of their current pupils. Therefore, a trust will not build up a substantial surplus without having in place a clear plan for how it will be used to benefit their pupils.