



# The Rosary Trust

## A Catholic Education Trust

### Reserves Policy (MAT)

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## **Reserves Policy**

### **1. Purpose**

The purpose of the reserves policy for the Rosary Trust is to ensure the stability of the academy's operations. Maintaining an appropriate level of financial reserves is considered essential in protecting the school from financial risk.

### **2. Definitions and Goals**

In general, it is considered prudent to maintain a level of useable reserves sufficient to cover unexpected and unplanned events so that the academy's primary objective is preserved. At the same time, the Trustees may wish 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.

In deciding the level of reserves, trustees will take into account the following:

- Uncertainty, turbulence or expected reduction in funding arrangements
- The need for any large project spend to include facilities development, ICT investment or building condition needs
- Fluctuations in student numbers
- Cash flow issues due to delays in funding
- The academy's annual budget
- One month's salary bill

### **3. Restricted Reserves**

Restricted reserves are represented by the main funding for the academy which is the General Annual Grant and other funds that are received for a specific project or purpose. These funds are restricted for the use according to the funding agreements of donors' instructions.

The trustees have determined that the appropriate level of restricted reserves to be held for non-earmarked expenditure by each school should equate to 3% of total restricted funds to provide sufficient working capital to cover delays in the spending and receipt of grants and to provide a cushion for unexpected emergencies.

The trust board reserves the right to recover balances held above the limit determined above. An appeal against any decision to pool reserves can be made by following the trust's internal appeals process. See section 6.

### **4. Unrestricted Reserves**

Unrestricted reserves are made up of the academy's activities for generating funds, investment income and other donations which are expendable at the discretion of the trustees in furtherance to achieve the objectives of the school.

The trustees have determined that the appropriate level of unrestricted reserves to be held for non-earmarked expenditure should equate to 3% of total funds to provide sufficient working capital to cover delays in the spending and receipt of grants and to provide a cushion for unexpected emergencies.

## **5. Recovery of Surplus Balances**

The trust board reserves the right to recover reserves held above the limit determined above. An appeal against any decision to pool reserves can be made by following the trust's internal appeals process. See section 6.

## **6. Reporting and Monitoring**

The trustees are responsible for ensuring that the level and use of reserves is monitored. They will do this for the receipt of financial reports prepared by the Chief Financial Officer. The Chief Financial Officer will maintain a medium term financial forecast which will show how end of year reported reserves will be utilised.

## **7. Appeals Process**

If a local governing body/senior management team feels that the academy has been unfairly treated in relation to the recovery of surplus balances, they should first appeal in writing to the Chief Accounting Officer, clearly stating their reasons as to why they feel the recovery of excess reserves is not appropriate and with a supporting 3 years financial forecast demonstrating how the surplus reserves are to be utilised. The appeal will be considered by selected members of the Trust Board and a written response provided to the Local Governing Body/senior management team within 30 calendar days. If this does not resolve the grievance, then the Local Governing Body/senior management team may appeal to the Secretary of State for Education, whose decision will be final and who may disapply the provision for the pooling of resources.

## **8. Review of Policy**

The policy will be reviewed every three years or sooner if warranted by internal or external events or changes. The trust board must approve all changes.