**Community Academies Trust Reserves Policy**

# Introduction

The Board of Directors is able to hold reserves to further the trust’s charitable aims. The EFA (Education Funding Agency) previously set limits on the amount of GAG (General Annual Grant) that could be carried forward by trusts from year-to-year. These limits have now been removed. The EFA Financial Handbook notes that trusts should use their allocated GAG funding for the full benefit of their current pupils. If a Trust has a substantial surplus they should have a clear plan for how it will be used to benefit pupils.

The Trust’s funds are allocated to individual schools within the Trust, excluding the restricted fixed asset fund and the pension reserve. However, there is no central endowment and all funds held by the Trust are contributed by the schools within the Trust. Therefore, should a school go into deficit, it is effectively being funded by all other schools within the Trust.

# Relationship between the Trust and its schools

Directors are mindful of the Financial Handbook and requirement that GAG funding should be spent on current pupils.

However, directors are also aware of significant volatility in the funding of education. As an independent academy trust, the Board of Directors is responsible for managing the fluctuations in financial fortunes.

Individual schools within the Trust are expected to set a budget each year using the GAG and other grants reasonably foreseen and matching expenditure to that income.

Should an individual school in the Trust go into a deficit (negative fund balance) at the end of a year, the local governing body must enter into a recovery plan that repays the deficit over not more than 5 years. In the event that the recovery plan is not in place or is not kept to, directors may suspend the local governing body and replace it with an EAB to return the school to financial stability.

Reserves at the end of each year are generally held in support of:

* Contribution to capital projects planned or in development
* Financial commitments made but not yet come to fruition
* Investment in future educational initiatives
* Cashflow requirement
* Contingency against unforeseen events
* School Fund balances

Local governing bodies can ask directors each year for access to their agreed reserves for one of these specific events, but it is up to directors whether they allow access to the individual school reserves as they have the responsibility of securing the financial stability of the Trust as a whole.

Balances held in respect of School Fund can be spent by the Local governing body without needing to be referred to Directors. This is because these balances are built up solely by fundraising or charitable donation and can only be spent locally.

1. **Policy**

Directors wish to target a level of reserves for each school and in total across the Trust that equates to the sum of:

* Planned or anticipated future commitments to capital projects
* Financial commitments made but not yet entered into
* Planned investment in educational initiatives
* Salary and related costs for 1 month to cover cashflow and contingency requirements

Progress against these measures will be reviewed on a termly basis.