
Reserves Policy

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Approved by:	Audit Committee, Areté Learning Trust
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1. Introduction

- 1.1. The original Reserves Policy was established in April 2015 at the inception of the trust. This Policy document is a refreshed Policy for the enlarged multi-academy trust we have today.
- 1.2. 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 potential key risk to the ALT in relation to financial planning and monitoring.
- 1.3. One of the ways in which the ALT mitigates this risk is through the effective management of reserves, which provide alternative temporary funding streams should there be a delay in grant receipts or a sudden unforeseen increase in expenditure.
- 1.4. Setting a reserves policy helps inform the way in which the ALT manages its cash, liquid assets and debt.

2. Levels of Reserves

- 2.1. The financial risks of the trust have been reviewed in terms of impact and likelihood as part of the strategic risk management process. The financial risks to the ALT, an expanding Multi-academy trust, differ substantially from those of a stand-alone academy trust of several years ago. These incorporate the need to balance the short term requirements of a number of schools with the longer term ambitions of the whole trust. To recognise and mitigate these risks it has been agreed that an appropriate minimum reserves balance would equate to one month's worth of expenditure in terms of gross salary costs. In broad terms this would equate to approximately 6% of total income.

3. Restrictions

- 3.1. The ESFA are able to 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.
- 3.2. The DfE does expect the ALT to use its allocated funding for the full benefit of their current pupils. Therefore, the ALT will not build up a substantial surplus without having in place a clear plan as to how it will be used to benefit its pupils and the ALT's strategic development for the long term, as required. Those plans and governance will operate under the Treasury Management Policy, mirrored under the Level of Reserves section above.

4. Review of Policy

- 4.1. The reserves policy will be reviewed by the Board and Audit Committee on an annual basis or when an organization joins or leaves the ALT.

----- End of Policy -----

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