



Reserves Policy (Ref 03MPTRP)



Mosaic Partnership Trust

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History of most recent Policy changes

| Version | Date | Page | Change | Origin of Change |
|---------|------------|----------------|---|--|
| V1.0 | 01/02/2024 | Whole Document | Adoption by the Mosaic Partnership Trust and Implementation | New Academy Trust requirement of a Reserves Policy to comply with Trust conditions |
| V2.0 | 24/03/2025 | Whole Document | Policy Renewal | To include definition of reserves and reserve pooling at Trust level |
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1. Introduction

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

- income reduction due to government funding changes;
- unexpected falls in pupil numbers;
- uncontrollable increase in costs;
- cash flow issues due to delays in receipt of funding; and
- other unforeseen emergencies.

2. Types of Reserves

2.1 Unrestricted Reserves

Unrestricted Reserves are derived from income funds, grants or donations that can be spent at the discretion of the Trustees in furtherance of any of the Trust's objectives.

If part of an unrestricted income fund is earmarked for a particular project it may be designated as a separate fund, but the designation has an administrative purpose only and does not place restrictions on how the fund is eventually spent. Unrestricted Reserves will be achieved through operational efficiencies and any trading activities undertaken by the Trust.

2.2 Restricted Reserves

Restricted funds are mainly derived from government grant funding through the ESFA (Education and Skills Funding Agency) but may also include other grants or donations provided for a specific purpose. Restricted reserves must be used in accordance with the limitations outlined in the original funding (in the case of ESFA funding, this is as detailed in the Trust's Funding agreement). So, they are funds that must be spent on things the donor has specified or for the purpose for which it was given.

2.3 Capital Reserves

Capital reserves are mainly derived from government funding to be allocated to Capital Projects and spent in accordance with Grant guidance and the Trust's Funding Agreement. This will be monitored centrally to ensure that funding is spent within the allocated time frame. Capital reserves are also considered as restricted and are defined as Restricted Fixed Asset Reserves.

2.4 Designated Reserves

Designated Reserves are reserves that have been set aside at the discretion of the Trustees in furtherance of any of the Trust's objectives or our designated in line with restriction attached the associated funding. Where a designation has been identified, the purpose and timing of any expenditure must be explained. The reserve will be derived from unrestricted and restricted funds where applicable and spent in accordance with any expenditure restrictions.

2.5 Pension Reserve

The risks surrounding the Trust's pension liability have been taken into consideration when calculating the target ranges. The presence of a pension surplus or deficit does not constitute an immediate liability or realisable asset and does not mean that the equivalent amount is already committed or no longer available to the Trust.

2.6 General Reserves

The General Reserve(s) represents the free funds which are not designated for other purposes.



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3. Principles

In general, it is considered prudent to maintain a level of liquid reserves sufficient to cover reasonably foreseeable unexpected and unplanned events so that the trust's primary objective is preserved. At the same time, the trust wishes to ensure that it uses its funding to benefit the pupils in its care which implies an imperative to consider actively the use of reserves to enhance educational provision.

Schools within the Trust are expected to set and maintain an in-year balanced budget where costs are met from income in a given year. Schools should aim to set a revenue budget with a surplus equivalent to **2%** (but not more than 10%) of total in-year income; at least 90% of total in-year income should be spent for the benefit of the pupils on roll.

Trust reserves can be used to support schools that are facing the possibility of setting a deficit budget only if all the following criteria are met:

- that all possible cost saving interventions have been enacted by the school;
- the financial risks associated with the Trust have been reviewed;
- that Trustees are satisfied that the Trust reserves are sufficient to withstand a reduction;
- all other means of removing the deficit have been exhausted.

Any year-end surplus identified in the audited accounts will be added to the reserves, unless otherwise allocated by the Board of Trustees.

The target range for reserves, both at a school and at Trust level, is **5%** of the net amount of annual income (used to calculate the central top slice). If the trust is forecasting this figure to be lower this will be reported to the Trust Board for a decision as to the appropriate action to be taken.

Trustees will agree targets for reserves on an annual basis and this will be minuted.

Trustees will monitor levels of reserves through financial reports and scrutiny carried out by the Finance and Resources Committee (FRC), including through the annual financial statements presented by the auditors. Trustees 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, Trustees will consider the following:

- one month's salary costs (Trust);
- the trust's approved budget;
- the need for any large project spend identified in the Estates Strategy or capital development plan;
- any uncertainty, turbulence or expected reduction in funding arrangements; and
- anticipated funding over the next three years.

Schools must refer any spending decisions outside of the agreed budget, as per the scheme of delegation detailed below:



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| Finance | | | | |
|------------------------|--|---|----------------------------|---|
| Mosaic Partnership | Board of Trustees | Chief Executive Officer | Academy Community Councils | Headteachers (Supported by School Leadership Teams) |
| Scheme of Delegation | (Supported by Committees) | (Supported by the Executive Team) | | |
| Unbudgeted expenditure | Approve unbudgeted in-year expenditure that will affect the end-of-year surplus/deficit, following consideration of a business case. | Approve annual unbudgeted in-year expenditure total that will not affect the end-of-year surplus/deficit. | | Propose annual unbudgeted in-year expenditure total that will not affect the end-of-year surplus/deficit. |

Any additional permanent staffing or temporary staffing that results in exceeding the approved budget or creating a deficit must be referred to the Finance and Resource Committee.

Schools are not required to refer spending decisions outside of the agreed budget to the Finance and Resource Committee if the spending is fully funded from additional unbudgeted income and has no detrimental impact on the schools end-of-year surplus/deficit or it's longer term financial position.

4. Pooling

The Trust will aggregate school revenue reserves and year-end balances into a single *"Trust Pooled Reserve"*. The Board of Trustees will determine the use of the Trust Reserve to optimise the allocation of resources for the Trust, in line with annual budget requirements, integrated curriculum and financial planning (ICFP) data and medium-term financial plans.

5. Conversion Balances

Any school or academy that joins the Trust may be holding a balance on conversion. This will be amalgamated into the Trust Reserve.

6. Monitoring and Review

The Trust Board, and/or an appropriate committee, will review this policy because of a change in legislation, a change in best practice, as a result of specific concerns or following a general review, which shall take place, at least, annually. The Policy will also be amended in line with regulator guidance and the Academy Trust Handbook (ATH).

The Trust publish their assessment of the risks they are facing as part of our trustees' report and annual financial statements.

The minimum level of reserves is ultimately limited by the need to operate as a going concern and to maintain a positive cash accounting position for the Trust and may therefore be subject to change.

7. Communication

This policy will be circulated to appropriate staff across the trust's schools and is also available on the Trust website.