



# Reserves Pooling Policy

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### 1) INTRODUCTION

Horizon MAT (HMAT) has established a reserves policy to protect its activities by providing somewhat of a safety net against today's unpredictable financial environment and to make sufficient provision for future cash flow requirements and capital procurement. The policy also provides the framework for future strategic planning and decision making. The development of an effective reserves policy intends to mitigate financial risks for HMAT as far as possible and links to the trusts risk register.

### 2) TYPES OF RESERVE

#### **Unrestricted Reserves**

Unrestricted reserves (including designated reserves) are derived from income funds, grants or donations that can be spent at the discretion of the Trustees to further the objectives of HMAT.

If part of an unrestricted income fund is earmarked for a particular project it may be designated as a separate fund, and is intended to be restricted for that purpose, however this does not transfer a legally restrictive designation onto the funds and the Trustees are free to amend designations of restrictions on unrestricted funds at their discretion. Unrestricted reserves will be achieved through operational efficiencies and any trading activities undertaken by HMAT.

Unrestricted reserves are generally defined as funds held after excluding restricted funds and funds that can only be generated on the sale of fixed assets used for charitable purposes.

#### **Restricted Reserves**

Restricted reserves may be restricted income funds, grants or donations that are spent at the discretion of the Trustees in order to meet the objectives of HMAT or where the nature of expenditure has been defined by the donor.

Restricted reserves are only available for expenditure once HMAT has met all its commitments and other planned expenditure and is in accordance with the limitations outlined in the original funding agreement. Restricted reserves are also inclusive of capital items and are defined as Restricted Fixed Asset Reserves. This reserve is specifically held for capital purposes in order to realise the objectives of HMAT.

All restricted reserves will be generated through improved operational efficiencies and effective people planning and resourcing.

## **Designated Reserves**

Designated reserves are reserves that have been set aside at the discretion of the Trustees to further the aims of the Trust. Where a designation has been identified, the purpose and timing of expenditure must be explained and recorded.

The target range for any designated reserves will be determined by the nature of the designation itself and the reserves will be derived from unrestricted and restricted funds where applicable.

## **Pension Reserve**

The risks surrounding HMAT's pension liability have been considered whilst forming this policy. The presence of a pension surplus or deficit does not constitute an immediate liability or realisable asset and does not mean the equivalent amount is already committed or no longer available to HMAT.

The presence of pension surplus or deficit will generally result in a cash flow for HMAT in the form of a decrease or increase in employers' pension contributions over a period of years.

HMAT is confident that it can meet the required pension contributions from projected future income without significantly impacting its planned level of activities.

HMAT continues to calculate its reserves without setting aside a Designated Reserve to cover the pension liability.

### 3) TARGET HOLDING AMOUNT OF RESERVES

The combined cumulative target for Unrestricted and Restricted reserves (revenue) is set at the equivalent of 1/12<sup>th</sup> total salary cost which currently stands at £864k.

The DfE expects academies to use their allocated funding for the benefit of current pupils, therefore, HMAT will not build up reserves without a clear robust plan in place for the use of them.

### 4) MANAGEMENT OF RESERVES

Reserves held in excess of the target percentage will be reviewed by the SLT and Trustees on a regular basis and an appropriate range of options considered which might include:

- ❖ Releasing funds into the revenue income budget for the forthcoming academic year to further develop the aims and objectives of HMAT
- ❖ Assigning funds to appropriate designated reserves as may be determined by HMAT
- ❖ Investing the funds to generate further income to allow expansion of HMAT's work: or
- ❖ To consider requests from constituent Academies for specific projects.

The movement of funds to and from the reserves identified above will be at the discretion of the Trustees via the Finance, Audit and Risk Committee subject to the restrictions which will remain attached to restricted funds.

### 5) REQUEST TO SPEND FROM RESERVES

A request to spend from reserves by a constituent Academy must be submitted in writing to the CEO for consideration by the SLT and Trustees. The request must include the following:

- Description of project
- The sum required
- The reason for the request
- The benefits to the Academy/Trust
- Value for money considerations

The CEO and SLT will consider the request and if agreed will seek approval from the Chair of the FAR Committee for requests up to and including £25,000. For requests from £25,000.01 to £50,000 approval will be required from the FAR Committee. Requests in excess of £50,000 will require full board approval.

Any funds released to an Academy will potentially need to be considered for repayment over the following 2-5 years. This will be determined based on the reserves pooled at inception of this policy by each Academy and the nature of the project undertaken. The terms for repayment will be decided by the Trustees, under the advice and guidance of the CFO, dependent on the financial position of the particular Academy.

#### 6) BROUGHT FORWARD RESERVES TO BE POOLED

HMAT will pool all reserves for all Academies and central reserves as from 1/9/2021. This will include all reserves relating to ESFA GAG funding and operational activities. All other brought forward funds will remain with the Academies.