



CtKCC
Christ the King
Catholic Collegiate
Together as one community
with Christ at the centre



Reserves Policy

Date: January 2021

Adopted: February 2021

Review: September 2022

1. Purpose

- 1.1 The purpose of the reserve policy for Christ the King Catholic Collegiate (CtKCC) Multi-Academy Company is to ensure the stability of the organisational operations, to protect it so that it has the ability to adjust quickly to financial circumstances, such as large unbudgeted expenditure, cyclical maintenance and working capital.
- 1.2 The following purposes are considered appropriate for reserves:
 - a. Current Reserves that are established to manage known risks which are not insurable or where insurance does not provide value for money.
 - b. Equalisation reserves set up to smooth out irregular spending.
 - c. Specific Capital Reserves established in order to fund capital expenditure and other investments that would not be affordable if financed from a single year's funding.
 - d. General Reserve to provide for unexpected and unpredictable needs.
 - e. Cash Flow Management Reserves used to enable variable cash demands across the Collegiate or specific parts of the Collegiate to be managed.

2. Definition

2.1 Restricted Reserves.

Restricted reserves are represented by the main income for the Multi-Academy which is General Annual Grant (GAG), other grant contributions or donations that are received for

a specific project or purpose. These funds are restricted for the use according to the funding agreements or donors instructions.

The current guidance from the ESFA (taken from the Academies Financial Handbook 2020) on managing surplus GAG is given below:

'5.28 ESFA previously set limits on GAG carried forward by trusts from year-to-year. These limits have now been removed for eligible trusts (see section 5.59). ESFA will report to DfE any trusts where it has serious concerns about a long-term substantial surplus with no clear plans for its use. Pooling of GAG by trusts with multiple academies

5.29 A trust with multiple academies can amalgamate GAG for its academies to form one central fund. This can be used to meet the running costs at any constituent academy within the trust. In accordance with its funding agreement a trust must not pool PFI funding.

5.30 The trust must consider the funding needs and allocations of each constituent academy and must have an appeals mechanism. If a constituent academy's principal feels the academy has been unfairly treated, they should appeal to the trust. If the grievance is not resolved, they can appeal to the Secretary of State, via ESFA. Where ESFA receives an appeal, it will review the process that the trust has followed, including whether the trust has considered the funding needs of the constituent academy, and whether the trust's internal appeals process has been applied. ESFA will provide the constituent academy and the trust with the opportunity to provide any evidence they feel is relevant to the case. ESFA's decision will be final and can result in the pooling provisions being dis-applied.'

2.2 **Review of Reserves**

This will encompass the nature of the income and expenditure streams, the need to match income with commitments and the nature of reserves. The level of reserves will be determined by CtKCC Directors annually and can fluctuate depending on operational needs. The Directors have determined that the Academy should aim to have a minimum of 4% held in unrestricted reserves. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance.

All reserves are reported and reviewed regularly at management meetings and expenditure from reserves approved by the Board of Directors or Finance & Resources committee in accordance with the scheme of delegation.

3. **Use of Reserves**

- 3.1 The Board of Directors and staff will identify the need for access reserve funds and confirm that the use is consistent with the purpose of the reserve as described in this policy. This step requires analysis of the reason for any shortfall, the availability of any other sources of funds before using reserves and evaluation of the time period that the funds will be required and replenished.
- 3.2 Reserve funds will always be 'ring-fenced' to specific schools, however the Board of Directors may choose to spend the funds as necessary in order to achieve CTKCC strategic aims and to secure the long term future of the Multi-Academy.

- 3.3 The Academy should ensure that they have first reviewed whether the funds could be sourced via additional grant applications or fundraising and all such requests must first be approved by the Local Academy Committee. Such approval must fall within the designated financial authority set by the Board of Directors in accordance with the scheme of delegation.
- 3.4 A detailed business case will be required in order to request the release of reserve funds and must establish why the expenditure is essential and clearly demonstrate that other funding streams are unavailable.
- 3.5 The business case will be presented to the CtKCC Finance and Resource Committee (or Local Academy Committee as appropriate) Board of Directors for discussion and authorisation. Agreement will not be unreasonably withheld and approval will be minuted. Once approved the school is responsible for managing the expenditure.

3.6 Reporting and Monitoring

The Board of Directors are responsible for ensuring that the funds are maintained and used only as described in this policy. Upon approval for the use of these funds, the Chief Financial Officer will maintain a record of the use of the funds. The CtKCC Finance Committee should regularly monitor the progress of the reserves.

4. Investments

- 4.1 The Board of Directors may invest to further their charitable aims, but **must** ensure that investment risk is properly managed. When considering making an investment the Board of Directors **must**:
- act within their powers to invest as set out in their articles of association;
 - have an investment policy to manage, control and track their financial exposure, and ensure value for money;
 - exercise care and skill in all investment decisions, taking advice as appropriate from a professional advise;
 - ensure that exposure to investment products is tightly controlled so that security of funds takes precedence over revenue maximisation;
 - ensure that all investment decisions are in the best interests of the trust and command broad public support;
 - review the trust's investments and investment policy regularly.
- 4.2 Up to 25% of central reserves may be invested in a 12 month notice deposit account with a recognised bank, with the balance of reserves invested in a 32 day notice deposit account.
- 4.3 The Board should follow the Charity Commission's guidance: [CC14 Charities and investment matters: A guide for trustees](#). ESFA's prior approval **must** be obtained for investment transactions which are novel and/or contentious. See Academies Financial Handbook for details on novel and/or contentious.