



Our Lady and All Saints

Catholic Multi Academy Company

Strong in Faith

**Our Lady and All Saints Catholic Multi Academy Company
Reserves Policy**

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Introduction

1. Our Lady and All Saints Multi Academy Company (“the MAC”) is responsible for the effective and efficient use of available resources. These responsibilities are outlined by the Charities Commission in their published guidance: <https://www.gov.uk/government/publications/charities-andreserves-cc19> and the Academies Financial Handbook.
2. The MAC is ultimately responsible for the allocation of resources to deliver the vision of the MAC.
3. The MAC Board of Directors delegate to the MAC Senior Leadership team to work with Academies to deliver financial plans for Revenue budgets in the next academic year and following years as per the guidance given by the ESFA. Capital budgets should be managed based on the needs and requirements of each Academy.
4. Our Lady and All Saints Catholic Multi Academy Company has established a reserves policy to protect the MAC and its schools against an uncertain financial environment and to allow sufficient provision to safeguard the MACs future spending requirements and to ensure its capital refurbishment and replacement strategy can be delivered. The policy also provides the framework for future strategic planning and decision making. The development of an effective reserves policy will minimise the impact of any risk which will affect the future of the MAC caused by funding uncertainty.
5. It is acknowledged that not all schools will be able to meet the targets set in this policy in the short to medium term, but all schools that fall short of this target should have a strategic 3 to 5 year budget plan in place that enables them to build their reserves in line with the MACs target to protect against future uncertainties.

Types of Reserves

Unrestricted Reserves

6. Unrestricted reserves are derived from income funds, grants or donations that can be spent at the discretion of the directors in furtherance of any of the MAC’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 as an administrative purpose only and does not legally restrict the directors’ discretion to spend the fund. Unrestricted reserves will be achieved through operational efficiencies and any trading activities undertaken by the MAC and its schools.

Restricted Reserves

7. Restricted reserves may be restricted income funds, grants or donations that are spent at the discretion of the directors in furtherance of the core objectives of the MAC; or where the nature of expenditure has been outlined in the original funding agreement.
8. Restricted reserves are also inclusive of capital items and defined as restricted fixed asset reserves. Fixed asset reserves are not readily available to the MAC as a cash or cash equivalent and are therefore not included within the reserve targets set by the MAC.

Capital Reserves

9. Mainly derived from government funding (Schools Conditional Allowance and Devolved Formula Capital) and are spend in accordance with the funding agreement. These expenditures will be monitored centrally for the benefit of the academies in the MAC. A notional balance will be held against each school for DFC funding.

Pension Reserves

10. The risks surrounding the MAC's pension liability have been taken into consideration when calculating the reserve target. The presence of a pension surplus or deficit does not constitute and immediate liability or realisable asset and does not mean that the equivalent amount is already committed or no longer available to the MAC.
11. The presence of a pension surplus or deficit will generally result in a cash flow effect for the MAC in the form of an increase or decrease in employers' pension contributions over a period of years. The MAC is cautiously confident that it can meet the required pension contributions (current range 23.68% for Teachers to 27.8% for members of the WMPF until April 2027) from projected future income without significantly impacting upon its planned activities.
12. The MAC calculates its reserves without setting aside a designated reserve to cover the pension liability.

Key Principles

13. The following principles underpin the MAC's approach to reserves management:
 - The MAC will aim to hold aggregate reserves between 5-10% of GAG reserves ¹.
 - Every year, the MAC expects each school (inc. Central Costs) within the family to set a balanced in-year revenue budget, which contribute to the MAC having a balanced in-year revenue budget overall
 - Reserves will be maintained and reported against each individual school
 - The school's reserves balance should only decrease below the minimum reserves level due to capital investment or other exceptional circumstances outlined below. A reduction in reserves detailed request should be submitted to the board
 - The school's reserve balance may be comprised of restricted and/or unrestricted funds

Management of Reserves

14. Reserves held by the school and not immediately required to meet the MAC's cash flow requirements will be invested in line with the MAC's investment policy.
15. Reserves held in excess of the target will be reviewed by the MAC Board of Directors on a regular basis and an appropriate range of options will be considered, which might include releasing funds into the revenue budget for a time limited project in furtherance of the MAC's objectives or designating funds to appropriate capital projects determined by the MAC.

The MAC board will only consider this where:-

¹ Whilst the [DfE doesn't specify the level of reserves](#) a Multi Academy Group should hold, the vast majority of Groups hold at least 5% of total income.

- a) The school proposes a project by submitting a formal request for funding supported by a fully costed business plan with evidence showing how this will benefit the school in terms of sustainability and viability
 - b) The project would not be eligible for any other grant funding
 - c) The school is not able to cover the costs of the project from its revenue budget
 - d) The school agrees to clear repayment terms confirming it will repay the sum advanced within 3 years without going into deficit on its revenue budget and both the school and the MAC will retain a signed copy of the repayment terms on file.
 - e) The MAC's level of reserves enables it to make the advance without any detrimental impact on cash flow (or the minimum reserves limit) or the budgets of other schools within The MAC board's decision will be final.
11. Where there is an exceptional educational reason why a school would benefit from additional support from central reserves the CSEL has authority to agree a payment from reserves to cover this payment, provided the following conditions are met:-
- a) the educational proposal and reasons have been authorised by the Board of Directors at an appropriate meeting and minuted
 - b) the CFO has confirmed that this payment would not result in the MAC central reserve going into unplanned in-year deficit
16. The movement of funds from restricted to unrestricted must be subject to obtaining appropriate consent from the original donor of the funds.

New Members of the MAC

17. New members of the MAC are expected to agree to this policy as part of the wider MAC organisation.
18. Any reserves held by the new Academy, will on joining become part of the aggregated reserves balance held by the MAC.

Policy Review

19. The reserve policy and the establishment of reserve targets is based on an annual risk assessment of the internal and external operating environment and this policy will therefore be reviewed on an annual basis to ensure it continues to meet the needs of the MAC and its schools.