



## Financial Reserves & Investments Policy

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“Learning together; to be the best we can be”

# 1. Context

- 1.1. Nexus Multi Academy Trust (MAT) has established a reserves policy to protect its activities against unforeseeable financial risks and to make sufficient provision for future cash flow requirements and capital expenditure. The development of an effective reserves policy will restrict the impact of any risk upon the continuing operations of the MAT.
- 1.2. The reserves policy and the establishment of ranges is based upon an annual risk assessment of the internal and external operating environment, as well as having a due regard for the nature of activities under taken by the MAT for its beneficiaries.

# 2. Scope

- 2.1. This policy relates to all business units within Nexus MAT and supersedes any local policies and procedures that have been in use prior to an academy conversion.
- 2.2. The term "business units" applies to all academies and service areas which have their own designated funding agreements and/or business designations e.g. the central Trust; Extended Services etc.

# 3. Designation of Reserves

## 3.1. General Reserve (Uncommitted revenue)

- 3.1.1. General Reserve is the cumulative value of all uncommitted/unspent revenue at individual academy and central Trust level at the end of each financial year, as reported in the annual accounts. As one company, the annual accounts will reflect this as a total for the whole Trust. Operationally, these funds are part of an individual business unit budget and managed locally by the budget holder, in line with the Trust's Delegated Financial Powers policy.
- 3.1.2. Should the Trust find itself in financial difficulty, it would be an expectation of the Education & Skills Funding Agency that – before any loan is provided - the Trust has utilised all funding available to the company. It is therefore important that the general reserve features as

part of budget reporting as both a cash amount and a % of consolidated equity income, however this revenue is – other than in exceptional times such as being at risk of facing a Financial Notice to Improve – intended to be managed at individual business unit level, given this revenue has been created by the individual business unit achieving budget surplus.

3.1.3. Monthly budget reporting for each business unit of the Trust will ensure Directors have regular insight of – and therefore an opportunity to scrutinise - the individual uncommitted revenue levels of each business unit.

### 3.2. MAT Cash Reserve

3.2.1. The MAT Cash Reserve is held by the central Trust and is the designated reserve for the whole MAT in line with the Department for Education view that “Academies [should] build up reserves in order to accommodate longer-term plans such as capital investment, to fund maintenance and expand as well as to manage risk and uncertainty of future funding. As public sector bodies, academies... are required to apply effective treasury management policies and ensure that cash is properly controlled<sup>1</sup>.”

3.2.2. The MAT cash reserve is derived from efficiencies of the Trust partnership fee.

3.2.3. The target range for the MAT cash reserve is between 2% -5% of consolidated equity income for each financial year.

3.2.4. Given the impact that growth has on consolidated equity income, it may be that the MAT cash reserves % varies mid-year, and it is possible this could even drop below the 2% minimum target set, though this should be offset with an increase in the % of the General Reserve. Directors will expect the Chief Executive Officer to create a MAT cash reserves recovery plan wherever this is the case, for approval and monitoring.

3.2.5. Once funding has been committed to the MAT cash reserves, it can only be repurposed with the prior agreement of the Board of Directors. The MAT cash reserve must feature as part of monthly budget reporting

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<sup>1</sup> [DfE Statement to a Parliamentary question, January 2015](#)

to Directors. The MAT Cash reserve will also feature as one contributing factor to the broader General Reserve (as detailed above).

### **3.3. Capital Reserves**

- 3.3.1. Capital Reserves are designated as a separate fund, typically at academy level.
- 3.3.2. This reserve is specifically held for capital purposes in furtherance of some particular aspect of the objectives of the individual academy.
- 3.3.3. Given the low cash value of Devolved Formula Capital at individual academy level, it is anticipated that the Trust will require the creation of a separate Capital Reserve if/when the Trust is in direct receipt of a Condition Improvement Grant award, or some other form of high-value capital funding.

### **3.4. Pension Reserve**

- 3.4.1. The risks surrounding the MAT'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 MAT.
- 3.4.2. The presence of a pension surplus or deficit will generally result in a cash flow effect for the MAT in the form of an increase or decrease in employers' pension contributions over a period of years. The MAT will continue to inform budget planning with a requirement to meet the required pension contributions from projected future income without significantly impacting upon its planned level of activities.
- 3.4.3. The MAT continues to calculate its reserves without setting aside a Designated reserve to cover the pension liability.

## **4. Management of Reserves**

- 4.1. MAT cash reserves held in excess of the target percentage will be reviewed by Directors on a regular basis and an appropriate range of options will be considered which might include:

- 4.1.1. releasing the funds into the revenue budget in furtherance of the MAT's objectives;
  - 4.1.2. assigning funds to appropriate designated reserves as may be determined by the MAT;
  - 4.1.3. or investing the funds to generate further income to allow expansion of the MAT's work.
- 4.2. The movement of funds to and from the MAT cash reserve identified (other than movements from Capital) above will be at the discretion of directors – regardless of the value and whether this sits within an officer's delegated authority or not - or the appropriate committee where delegated authority has been provided by the Board, subject to the restrictions which will remain attached to Funds (Revenue and Capital) and their use.

## 5. Investments

- 5.1. Investments should be made to further the Trust's charitable aims, but must ensure that any investment risk is properly managed.
- 5.2. Investments must achieve the best financial return available for cash reserves, while ensuring the security of deposits takes precedence over revenue maximisation.
- 5.3. The only funds invested will be surplus to operational need.
- 5.4. Investment of any reserves will be considered by the Trust Board of Directors when the Trust reaches a £50 million consolidated income threshold.

## 6. Reviewing the Policy

- 6.1. The Charity commission recommends that charities develop their reserves policy and their planning at the same time, recognising that strategic and financial planning informs the development of reserves policies and vice versa. For example, the budgets will identify peaks or troughs in cash flow and the reserves policy will need to ensure the troughs in funding can be met from reserves held.

**6.2** The Reserves policy will be regularly reviewed in light of the changing funding and financial climate and other emerging risks. We publish our assessment of the risks that we are facing as part of our statutory accounts/annual report.