



Humber Education Trust

Reserves Policy

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Policy Statement

Humber Academy Trust (HET) has established a reserves policy to protect its activities by providing a financial comfort zone against an unpredictable environment and to make sufficient provision to support the following activities:

- to fund working capital,
- to support unexpected expenditure (reactive/proactive),
- to fund shortfalls in income predictions,
- to provide capacity, and;
- to fund large capital investment programmes

The policy also provides the framework for future strategic planning and decision-making. The development of an effective reserves policy will help mitigate the impact of risk upon the continuing operations and growth of HET.

The reserves policy and the establishment of target ranges is based upon an annual risk assessment, which is based upon income identification and associated risk profile, commitment to current and future expenditure and overall perceived systematic risk. The annual risk assessment and determination of target ranges is all focused upon the furtherance of HET's strategic aims and objectives.

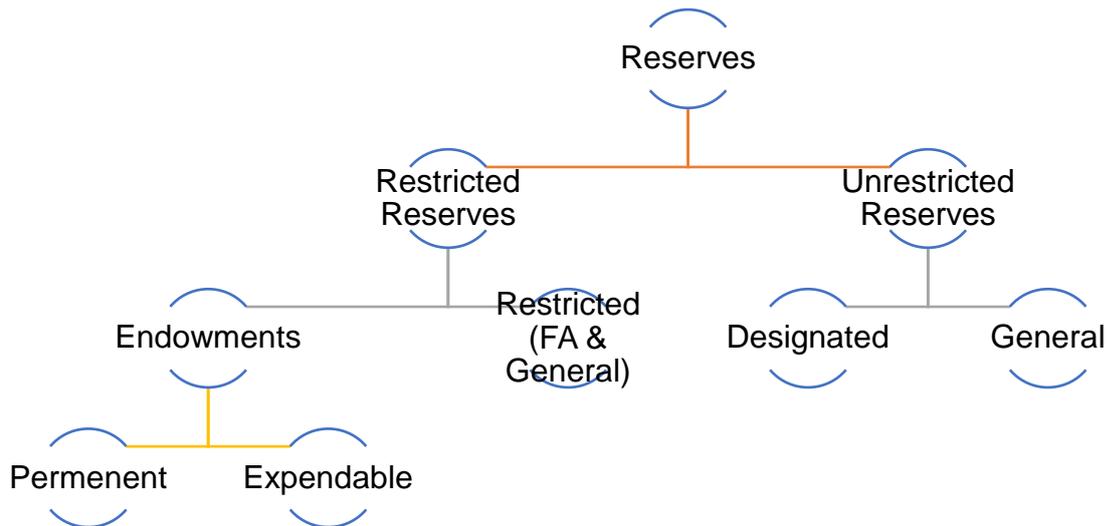
Policy Scope

This policy applies to all individuals whether employed, volunteer or those with significant control of HET; a breach of the investment policy and/or any related policy may result in disciplinary action.

Types of Reserves

As a Multi Academy Trust, HET will have a number of reserves, each of which will be determined by differing circumstances and constraints, figure 1 and the accompany narrative provides a brief overview of each of the reserves.

Figure.1



Restricted Reserves

Restricted Reserves may be restricted income funds, grants or donations that are spent at the discretion of the Trustees and in furtherance of some aspect of the objects of HET; or where the nature of expenditure has been defined by the donor. Restricted Reserves are only available for expenditure once HET has met its commitments and other planned expenditure and is in accordance with the limitations outlined in the original funding.

Endowments

Permanent endowment funds are donations that have been given to HET to be held as capital. These may be cash or other assets and should be held as investments or fixed assets. Any income earned from these investments or fixed assets is assumed to be unrestricted income.

Expendable endowment funds are donations that have been given to HET to be held as capital, where the Trustees do have a discretionary power to use the funds as income in furtherance of HET's objectives.

Restricted Fixed Assets

Restricted Reserves can also be inclusive of capital assets which have been acquired by way of grant or donation and which are required to be held on an on-going basis for a specific purpose or when the asset is acquired providing unrestricted use for any aspect of the HET's objectives.

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 HET's objectives. Unrestricted Reserves are generally defined as funds held after excluding:

- endowment funds (permanent & expendable);
- restricted funds; and
- funds that can only be generated on the sale of fixed assets used for charitable purposes.

Designated Reserves

Designated Reserves are reserves that have been set aside at the discretion of the Trustees in furtherance of HET's objectives. If part of an unrestricted income fund is earmarked for a project it may be designated as a separate fund, but the designation has an administrative purpose only, and does not legally restrict the Trustees' discretion to spend the fund.

Where a designation has been identified, the purpose and timing of any expenditure must be explained. The target range for any Designated Reserve will be determined by the nature of the designation itself.

Pension Reserve

The risks surrounding HET'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 HET.

The presence of a pension surplus or deficit will generally result in a cash flow effect in the form of an increase or decrease in employers' pension contributions over a triennial period. HET is confident that it can meet the required pension contributions from projected future income without significantly impacting upon its planned level of activities.

HET will create a designated reserve to identify the annual pension liability.

Management of Reserves

Reserves will be reviewed by HET on a regular basis and/or when a change in circumstances dictate and an appropriate range of targets and options will be considered which might include the following:

- releasing funds into the revenue budget to support delivery of HET objectives,
- assigning funds to appropriate designated reserves;
- investing funds to generate further income to allow acceleration of HET's work; or
- increasing the level of reserves

The movement of funds to and from the reserves identified (other than movements from restricted to unrestricted) above will be at the discretion of Trustees, subject to the restrictions which will remain attached to restricted funds and their use. The movement of funds from restricted to unrestricted must be subject to obtaining appropriate consent from the original donor of the funds.

All reserves will be generated through a combination of direct grants, donations, trading activities and improved operational effectiveness and efficiency; in addition to a proactive programme to identify more diverse sources of grant funding.

Expenditure of Reserve Balances and Academies in Deficit

Expenditure that draws on reserves is subject to the same purchasing authority levels as contained within the HET's financial regulations. To ensure a balanced and equitable approach to the expenditure of reserves across the HET, spend will generally only be authorised when recommended by the local governing body and authorised by HET Trustees. However, reserves can be used in circumstances where an academy must meet statutory responsibilities, without the prior approval of HET Trustees; all such occurrences will need to be retrospectively reported to the Board of Trustees of HET.

Where an academy has no alternative but to set a deficit budget or is operating with an in-year deficit it will have to draw upon the reserves of HET. Therefore, HET Trustees expect the academy to repay this amount into the reserves of HET the following year. At Trustees' discretion, this repayment may be postponed or spread over more than one year considering the specific circumstances leading to the deficit position and the ongoing financial health of the academy in question.

Reserve Levels

HET has responsibility to hold an adequate level of reserves that will mitigate potential risk whilst ensuring sufficient funds are expended in the furtherance of its objectives. Therefore, HET has determined that the appropriate level of free

reserves (excluding, restricted and designated funds) shall be no less than 2 months working capital. Trustees should ensure that there are plans to spend free reserves over and above this level, within a reasonable timeframe.

Monitoring and Reporting

The Chief Financial Officer (CFO) will report on HET's performance against reserve targets on an annual basis as well as producing detailed financial analysis and narrative for inclusion within HET's annual report and financial statements.

Policy Review

HET will review and publish this policy on an annual basis, ensuring that it remains accurate and fit for purpose.

Sign Off

Approved By (print name):	
Role Title:	
Signature:	
Date:	

**Where everybody counts,
every moment matters.**

