



ATLP RESERVES POLICY

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1. Purpose

1.1 The purpose of the reserve policy is to ensure the stability of the Trust, to protect it so that it has the ability to adjust quickly to financial circumstances, such as large unplanned expenditure, cyclical maintenance and working capital requirements.

1.2 Whilst it is not mandatory to hold reserves, it is generally considered good business practice to do so. ATLP holds reserves in order to provide sufficient working capital to cover delays between spending and receipt of grant income, to provide a cushion to deal with unexpected emergencies such as urgent maintenance or long-term sickness where unforeseen costs are incurred and to build up funding for planned future capital projects.

2. Types of Reserves

2.1 Unrestricted Reserves

2.1.1 Unrestricted Reserves (including Designated Reserves) are derived from income funds, grants or donations that can be spent at the discretion of the trustees in furtherance of any of the Trust's objectives.

2.1.2 Unrestricted Reserves are generally defined as funds 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.

2.2 Restricted Reserves

2.2.1 Restricted Reserves are only available for expenditure once ATLP has met its commitments and other planned expenditure and is in accordance with the limitations outlined in the original funding.

2.2.2 Restricted Reserves also are inclusive of capital items and are defined as Restricted Fixed Asset Reserves. This reserve is specifically held for capital purposes in furtherance of some particular aspect of the objectives of the Trust.

2.2.3 All Restricted Reserves will be generated through improved operational efficiencies and effective manpower planning and resourcing in addition to a proactive programme to identify relevant sources of grant funding.

2.3 Designated Reserves

2.3.1 Designated Reserves are reserves that have been set aside at the discretion of the Trust Board in furtherance of any of ATLP's objectives. Where a designation has been identified, the purpose and timing of any expenditure must be explained.

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

2.4 Pension Reserve

2.4.1 The risk surrounding ATLP's pension liability has 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 ATLP.

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

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

3. Management of Reserves

3.1 The **minimum** level for the unrestricted and restricted reserves combined should be equal to one month's average payroll costs or any forecast deficit as highlighted within the 3-year budget forecast, whichever is the greater. These figures should include any new schools with a planned conversion date. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grant income and to provide a cushion to deal with unexpected emergencies such as urgent maintenance or long term sickness where unforeseen costs are incurred or to ensure that funds cover any expected financial challenges identified in budget forecasting.

3.2 In addition the Trust will ring fence an amount to cover the risk of growth during the course of the subsequent academic year. This amount will be agreed during the summer term of the previous academic year and recommended to Trust Board at the



same meeting where budgets for the following year are being agreed/signed off. The figure agreed should be set with due regard to information known about the school.

3.3 The Central Finance Team will monitor the level of reserves to ensure they are maintained within the required level.

3.4 The movement of funds to and from the reserves identified (other than movements from restricted to unrestricted) above will be at the discretion of the Board, subject to the restrictions which will remain attached to Restricted Funds (Revenue and Capital) and their use.

3.5 The movement of funds from restricted to unrestricted must be subject to obtaining the appropriate consent from the original donor of the funds.

3.6 The Trust may decide to invest reserves in a high interest savings account. To do so, trustees are required to obtain a unanimous agreement of all trustees and to obtain professional advice and guidance. In addition, funds should be easily accessible, if required.

4. Reporting and Monitoring Reserves

4.1 The Board of Trustees are responsible for ensuring that the reserves are maintained and are used only as described in this policy. Upon approval of the use of the funds, the Trust will maintain a record of the use of the funds. The Audit and Risk Committee should regularly monitor the progress of reserves.