



FINANCIAL RESERVES POLICY

Date Approved by Board – 18 September 2018

Next Review Date – July 2019

Responsible Officer – Chief Operating Officer

Purpose & Minimum Level

Implementation of a reserves policy for the Nicholas Postgate Catholic Academy Trust (NPCAT) will help to ensure the stability of the Trust's operations. Maintaining an appropriate level of financial reserves is considered essential in mitigating key financial risks that the Trust may face. Reserves are held for the following purposes:

- **Cash flow** – to manage fluctuations in income and expenditure streams effectively and in line with the Academies Financial Handbook
- **Financial Management & Investment** – to ensure the Trust can respond to investment needs at short notice and to enhance and support educational provision where required.

In deciding the level of reserves directors will take into account the following:

- Uncertainty, turbulence or expected one-off reduction in funding arrangements.
- The need for any large project spend to include facilities development, ICT investment or building condition needs.
- Fluctuations in pupil numbers.
- Cash flow issues.
- The Trust's consolidated annual budget.

In consideration of the above NPCAT reserves will be held at a minimum level of one month's worth of annual budgeted salary expenditure. Based on the 2018/19 agreed Trust budget this equates to £2.85m.

Categories

There are 2 categories of reserves as follows:

- Restricted reserves are derived from the main funding for the individual academies which is the General Annual Grant (GAG) and other funds that are received for a specific project or purpose. These funds are restricted for use according to funding agreements or awarding body's terms.
- Unrestricted reserves derive from surpluses arising from the Trust's activities for generating funds, investment income and donations.

Use and Approval Process

Directors will manage all of the Trust's reserves for the benefit of NPCAT and its constituent schools.

All use of reserves up to a maximum of £30,000 must be approved in advance by the Trust's Chief Operating Officer, in consultation with the Chief Executive Officer.

Any proposed use of reserves over £30,000 must be approved in advance by the Trust's Board.

Individual schools and the Central Trust team can apply to use reserves and each instance will be reviewed on a case by case basis, considering the needs of those

individual schools and the best interests and financial sustainability of the Trust as a whole.

If a school feels that any decision taken by the Trust on the use of reserves results in them being treated unfairly or inequitably then the appeals process for the pooling of GAG as set out in the Trust's Financial Regulations should be followed.