Westminster

Primary

School

Nurturing Minds...
Inspiring Excellence

CAPITAL AND REVENUES RESERVES POLICY

Date of ratification by trustees: **December 2018**

Date of review: **December 2019**

CAPITAL AND REVENUES RESERVES POLICY

Westminster Academy Trust has established a reserves policy to protect its activities by providing a financial comfort zone against an unpredictable environment and to make sufficient provision for future cash flow requirements and capital procurement. The policy also provides the framework for future strategic planning and decision-making. The development of an effective reserves policy will restrict the impact of any risk upon the continuing operations of the Trust.

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 Trust for its beneficiaries.

Types of Reserves

Unrestricted Reserves

Unrestricted Reserves (including Designated Reserves) are derived from income funds, grants or donations that can be spent at the discretion of the directors and governors in furtherance of any of the Trust'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 an administrative purpose only, and does not legally restrict the directors' and governors' discretion to spend the fund. Unrestricted Reserves will be achieved through operational efficiencies and any trading activities undertaken by the Trust.

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.

The cumulative target range for Unrestricted Reserves has been established at between 3% and 5% of unrestricted income for the financial year ending 31 August 2017.

Restricted Reserves

Restricted Reserves (including Designated Reserves) may be restricted income funds, grants or donations that are spent at the discretion of the directors and governors in furtherance of some particular aspect(s) of the objects of the Trust; or where the nature of expenditure has been defined by the donor; or they may be endowment funds, where the funds or assets are required to be invested or retained for actual use, rather than spent.

Restricted Reserves are only available for expenditure once the Trust has met its commitments and other planned expenditure and is in accordance with the limitations outlined in the original funding. The cumulative target range for Restricted Reserves (Revenue) has been established at between 3% and 5% for the financial year ending 31 August 2013, excluding the impact of the Pension Deficit/Surplus.

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. The cumulative target range for all Restricted Reserves has been established at between 3% and 5% for the financial year ending August 2017.

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.

Designated Reserves

Designated Reserves are reserves that have been set aside at the discretion of the Directors in furtherance of any of the Trust's objectives. 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; the reserves will be derived from unrestricted and restricted funds where applicable.

Pension Reserve

The risks surrounding the Trust'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 Trust.

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

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

Management of Reserves

Reserves held in excess of the target percentage will be reviewed by the Trust on a regular basis and an appropriate range of options will be considered which might include releasing the funds into the revenue budget in furtherance of the Trust's objectives, assigning funds to appropriate designated reserves as may be determined by the Trust, or investing the funds to generate further income to allow expansion of the Trust's work.

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 Trust, or the appropriate sub-committee where delegated authority has been provided by the Board of Directors, subject to the restrictions which will remain attached to Restricted Funds (Revenue and Capital) 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.

Policy Review

This policy will be actively reviewed during the year and changes applied to reflect the nature of the Trust’s operations, beneficiaries, and operating environment.