

Maiden Erlegh Trust
RESERVES POLICY



MAIDEN ERLEGH
TRUST

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1. Introduction

This document sets out the reserves policy for Maiden Erlegh Trust. The policy is reviewed annually in light of changes to the composition of the Trust, and other changes which may impact on the Trust's day to day operations.

Whilst the Trust does not wish to hold excessive reserves, as it believes that funds should be expended on the pupils and students of today, it also recognises that a level of reserves are required in order to mitigate its financial risks.

The Trust Board is ultimately responsible for the allocation of resources to deliver the vision of the Trust. As a result, the Trust has determined that all reserves are held centrally so that it may, at the discretion of the Trustees, ensure they are directed for the benefit of all schools within the Trust, and where the need is greatest.

2. Purpose

The purpose of the reserves policy is to:

- assist in strategic planning by considering how new projects or activities will be funded;
- inform the budget process at both a school and a Trust level by considering whether reserves need to be used during the financial year or built up for future projects;
- enable investment decisions to be made at a Trust level, where necessary utilizing reserves across the Trust; and
- inform the budget and risk management process by identifying any uncertainty in future income streams.

3. Application

When considering an appropriate level of reserves, the Trust Board considers:

- the risk of unforeseen emergency or other unexpected need for funds;
- a fall or rise in sources of income;
- planned commitments, or designations, that cannot be met by future income alone, for example plans for a major capital project;
- the need to fund potential cashflow deficits
- the full range of financial risks identified.

As a result, the Trust Board has determined that the level of reserves, being those reserves considered to be Restricted and Unrestricted Funds only for the purposes of this policy, should be the equivalent of **one months' payroll expenditure**.

For the purposes of this policy, the net funds balance of the Restricted Fixed Asset Fund and Pension Fund are not considered to contribute to the Trusts' reserves balance.