

## AURORA ACADEMIES TRUST

<b>Policy Title:</b>	Reserves Policy
<b>Policy Reference:</b>	AAT Reserves Policy Nov 2016
<b>Function:</b>	For <u>Information and Guidance</u> /Statutory
<b>Audience:</b>	Prospective Parents, Trustees, Governors, Regional Directors, Executive Headteachers, Heads, Teachers, Support Staff, as necessary
<b>Ownership/ Implementation:</b>	The Trustees/LAB Governing Body (as required) have overall responsibility for ensuring that this policy is implemented
<b>Version:</b>	001
<b>Approved by Trust Board:</b>	November 2016
<b>Next Date for Review:</b>	November 2018



# Reserves Policy

The Trustees review the reserve levels of the Trust annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves.

The Trustees have determined that the appropriate level of unrestricted and restricted funds less pension deficit should be equivalent to at least 2.5 weeks expenditure (5%), approximately £500,000. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance.

The Trustees have also determined that the Trust also needs to build additional unrestricted and restricted funds to cover unforeseen buildings and associated facilities replacement, together with exceptional repairs, in order to allow the Trust schools to continue to operate without interruptions as far as possible. The Trustees believe this should be at least 5% of annual income, i.e. £500,000 on the basis that we continue to discover issues with regards to the condition and suitability of the five school buildings.

In addition, the Trust needs to build additional unrestricted and restricted funds to cover the replacement of ICT equipment and infrastructure, once it reaches the end of its useful life every five years. The intention is to budget for annual replacement costs at least 2.5% of annual income, i.e. £250,000 over the next five years.

The Trustees are mindful that the Trust has limited income at present due to the nature of the Trust, being four primary schools and a developing Free School, which only started operating in September 2014. Therefore, the intention is to build these reserves each year, as the Trust grows and income streams increase accordingly, over the next three to five years.

