

Reserves policy of the Confederation of School Trusts (CST)

This policy sets out the financial reserves policy for the reserves of the Confederation of School Trusts (CST). It does not consider the financial reserves for CST Professional Development Limited (CSTPD) which is not required to publish a reserves policy, and which is separately delegated to the CSTPD Board.

CST requires adequate financial reserves to ensure financial stability and to protect gaps between expenditure and income, ease monthly variations in cashflow, provide a cushion for unexpected emergencies and to support planned future developments. The Trustees of CST are committed to:

- fully justifying and clearly explaining why CST holds reserves;
- identifying and planning for the maintenance of essential services;
- reflecting the risks of unplanned closure associated with the CST's business model, spending commitments, potential liabilities and financial forecasts; and
- publishing the reserves policy (even if not required to by law) and ensuring it is tailored to CST's circumstances.

There are a range of factors that help determine the amount considered sufficient to hold as a reserve for CST's purpose and most crucially includes the Charity Commission guidance¹. Reserves are held for the following reasons:

- to enable CST to deliver its vision, aims and objectives in support of its members;
- to fund longer term plans including projects such as the ongoing development of the CRM system and website and to be able to respond agilely to changes in educational policy;
- as a contingency fund for unplanned closure and as a contingency fund to meet the legal costs of wind up.

Reserve Funds

The Board of Trustees have established Designated Funds within the Unrestricted Funds to ring fence reserves for specific purposes:

- A Contingency Fund comprising six months operating costs and staff redundancy payments based on notice periods. The Board of Trustees consider this an appropriate level of reserves to enable a smooth continuation of services of the organisation or as a contingency for unplanned closure.
- A Fixed Asset Fund primarily in respect of the material asset comprising CST's CRM system. The fund equates to the net book value of CST's fixed assets and includes other IT assets.
- A Governance Development Fund to fund initiatives to advance governance in the education sector.

¹ <https://www.gov.uk/government/publications/charities-and-reserves-cc19/charities-and-reserves> and <https://www.gov.uk/government/publications/charity-reporting-and-accounting-the-essentials-november-2016-cc15d/charity-reporting-and-accounting-the-essentials-november-2016-cc15d--2>

A further restricted NTA Fund was created from the funds remaining in CST's subsidiary company, National Teacher Accreditation, on its closure on 31 August 2024. These funds are restricted to purposes agreed with the Board of Directors of National Teacher Accreditation before its cessation.

The Trustees have the right to create further specific designated or restricted funds as necessary to ring fence funds for any specific purpose or upon receipt of any donation or grant. The balance of reserves should be used on any charitable purposes as agreed by the Board in the context of our strategic planning, or for any designated activities as approved by the Board.

Responsibilities

The Board of Trustees is responsible for ensuring that resources are managed responsibly in the best interests of the charity. The Board approves and monitors the implementation of this policy. The Finance and Resources Committee (F&R) monitors and supervises the current and future financial situation of CST and associated risks. The F&R Committee also reviews and develops this policy and makes recommendations to the Board. The Chief Operating Officer owns this policy and is responsible for managing reserve levels.

Review

The F&R Committee reviews reserve levels quarterly. The review includes the nature of the income and expenditure, the need to match income with commitments and the nature of reserves. At the end of each financial year, or upon other material change, the Contingency Fund is recalculated (based on the requirements detailed above). A recommendation is made to the F&R Committee for approval the required adjustment to the fund to ensure compliance with the reserves policy.

This reserves policy will be reviewed annually, usually at the late autumn meeting of the Board.