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RESERVES POLICY

APRIL 2025

Policy Date: April 2025
Review Cycle: Annually
Responsible Body: Trust Board Audit & Finance Committee

Version Control

Review Date	Updates
April 2025	Updated figures to reflect trust position

Introduction

There are a number of constraints placed upon academies in terms of financial management. One of these constraints is the inability to borrow funds. This constraint represents a key risk to the Trust in relation to financial planning and monitoring.

One of the ways in which the Trust mitigates this risk is through the effective management of reserves, which provide alternative temporary funding streams should there be a delay in grant receipts or a sudden unforeseen increase in expenditure.

Setting a reserves policy helps inform the way in which the Trust manages its cash, liquid assets and debt. The assessment of the strategic risks facing the Trust should inform the level of proposed reserves.

The main operational financial risk to the Trust is that of managing its short-term cash flow effectively. To ensure the Trust can meet its basic cash flow requirements, the balance would equate to one month's statutory payments (HMRC and payroll) or approximately £2.7 million.

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The main long term financial risk to the individual schools in the Trust, is the level of national funding compared to the costs of operating the school. A financial cushion would be required to manage any annual fluctuations in intake and subsequent funding, over a three-year period.

Occasionally schools hold ear marked reserve for specific purposes, for example to replace the Astro turf pitch. Often this can be a condition of the grant funding that helped pay for the original asset. A list of current earmarked reserves, as shown in the accounts, is included at annex 1 below.

Policy

Each school is responsible for maintaining its own financial sustainability and will set a level of reserves which align with its identified and costed risks, as part of setting its annual budget setting and three-year financial planning process. This will be completed and signed off by the Trust by July each year, as part of the approval of budgets for the following academic year.

To ensure that the Trust continues to remain a going concern and that its overall reserves are sufficient to maintain the smooth operation of the organisation overall reserves should not reduce to less than 4% of GAG income in the school year in which the reserves policy is set.

Schools are expected to maintain a healthy reserves position which reflects their ongoing context. For example, those schools expecting falling rolls in future years or to make an investment in their facilities may wish to build up their reserves. Schools undergoing rapid improvement or with falling rolls may use their reserves to fund the transition.

It is expected that all schools will work maintain reserves levels of at least 6% and that reserves do not drop below 6% by the end of the current 3-year plan period without Trustee approval and a plan in place to improve the reserve position in the short to medium term.

A number of schools in the trust have low or negative reserves. This are generally as a result of difficult ongoing circumstances, for example the need to rapidly improve outcomes, and ongoing reserve levels to be actively managed. These schools will be prioritised for support by the finance team to ensure that their budget position is closely monitored. It is expected that these schools will take all steps necessary to set and achieve a breakeven budget position each year. Individual plans will be put in place to work towards a sustainable reserves position of at least 4% of GAG income, this will be over a sustainable period, usually of 3-5 years. Plans that are longer than 5 years must be approved by Trustees.

Reserve pooling is not in operation, but it is acknowledged that in an environment when some schools have negative reserves all schools cannot substantially reduce balances without it having a detrimental impact overall. Where forecast outturn estimates that Trust reserves overall will drop

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below 6% the Trust will work with all Trust schools to ensure that measures are put in place to prevent that.

The Trust itself will hold a central reserve of any MAT central services surplus and any investment income. This will be a fund of last resort for individual schools and will support the development of the Trust's central services.

Restrictions

The ESFA are able to set limits on the sum of GAG that can be carried forward from one year to the next. There are currently no limits in place.

The ESFA does expect Academies to use their allocated funding for the full benefit of their current pupils. Therefore, the Academy will not build up a substantial surplus without having in place a clear plan for how it will be used to benefit our pupils/students.

Each school is expected to maintain its own financial health and live within the income it receives from the Government and generates through its own activities.

The use of reserves is subject to approval by the Trust's Audit and Finance Committee.

Review of Policy

The reserves policy will be reviewed by this Committee when renewing the financial three-year plan.

Monitored: *As part of the budget cycle*
Monitored By: *Chief Finance Officer with support from the Finance Director*
Trust Audit and Finance Committee

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Annex 1 Earmarked Reserves

£220,000	Conyers 3G pitch renewal
£132,400	Spark sport pitch renewal fund – Laurence Jackson
£26, 600	Campus Tees Schools Alliance – this a separate organisation and any balances are shown separately in the accounts

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