



LEARNING
FOR LIFE
TRUST

Reserves Policy

LEARNING

Policy Family	Finance		
Policy Name	Reserves Policy		
Version	1.1		
Date	June 2022		
Approved By			
Review Date			
Version	Date	Author	Revision
1.0		C.Steele	Original
1.1	June 2022	C.Steele	Revision of Reserves Statement

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Introduction

The Trustees of the Learning for Life Trust recognise that the Reserves Policy must address the management of financial risk across the Trust, whilst being mindful that existing students are not disadvantaged through the retention of excessive reserves.

Policy Aims

The policy aims are as follows:

- To ensure there is a consistent reserves policy across all member academies within the Trust.
- To identify a target level of reserves required across each member Academy within the Trust.
- To explain the reason for holding reserve balances.
- To ensure internal control arrangements within the Trust are operating effectively and assure proper stewardship over public funds.
- To ensure that Trustees receive oversight of the reserves position of the Trust and challenge this position as required.
- To ensure that each member Academy adopts a structure of prudent financial management and maintains sufficient reserves to meet the future needs of the Academy.
- To inform the budget process by considering whether reserves need to be used during the financial year to address an in-year deficit budget.
- To assist in strategic planning by considering how new projects or activities will be funded.

Responsibilities

The Trustees of the Learning for Life Trust are responsible for determining the content of the policy.

The Academy Headteacher is responsible for the implementation of the policy and reporting any noncompliance to the Trust Board and Chief Executive Officer.

Policy Scope

This policy has been formulated in accordance with the Academies Financial Handbook 2020, published by the Education & Skills Funding Agency. As documented in the handbook:

Financial planning

2.8 The board of trustees must:

- *ensure that financial plans are prepared and monitored, satisfying itself that the trust remains a going concern and financially sustainable*
- *take a longer term view of the trust's financial plans consistent with the requirement to submit three-year budget forecasts to ESFA*
- *as part of its management of the trust's funds, explain its policy for holding reserves in its annual report. Information on how the trust must report on reserves is set out in the Accounts Direction.*

Setting a budget

2.9 The board of trustees, and any separate committee responsible for finance, must ensure rigour and scrutiny in budget management.

2.10 The board of trustees must approve a balanced budget, and any significant changes to it, for

the financial year to 31 August, which can draw on unspent funds brought forward from previous years. The board must minute its approval.

Managing General Annual Grant (GAG)/Managing surplus GAG

5.28 ESFA previously set limits on GAG carried forward by trusts from year-to-year. These limits have now been removed for eligible trusts (see section 5.59). ESFA will report to DfE any trusts where it has serious concerns about a long-term substantial surplus with no clear plans for its use.

Pooling of GAG by trusts with multiple academies

5.29 A trust with multiple academies can amalgamate GAG for its academies to form one central fund. This can be used to meet the running costs at any constituent academy within the trust. In accordance with its funding agreement a trust must not pool PFI funding.

5.30 The trust must consider the funding needs and allocations of each constituent academy and must have an appeals mechanism. If a constituent academy's principal feels the academy has been unfairly treated, they should appeal to the trust. If the grievance is not resolved, they can appeal to the Secretary of State, via ESFA. Where ESFA receives an appeal, it will review the process that the trust has followed, including whether the trust has considered the funding needs of the constituent academy, and whether the trust's internal appeals process has been applied. ESFA will provide the constituent academy and the trust with the opportunity to provide any evidence they feel is relevant to the case. ESFA's decision will be final and can result in the pooling provisions being dis-applied.

Reserves Level

Academies within the Trust should aim to accumulate a prudent level of reserves. The expectation is that a reserves target should be circa 8%, representing 1 month of annual expenditure, however it is expected that each member Academy will be reviewed on an individual basis with reference to their funding needs and requirements.

A comparative between the current and target reserves balance will be annually reviewed by the Trust.

The target level of reserves should ensure that sufficient funds are held to enable the Trust to manage, in the short term, any financial risk that may result from the following:

- Short term fluctuations in income e.g. reduced student numbers.
- Funding of unforeseen expenditure e.g. urgent maintenance work.
- Funding of material capital projects e.g. building improvement works.
- Delivering a robust programme for renewal and replacement of Academy assets e.g. ICT hardware.
- Funding of staffing costs that cannot reasonably be reduced within the required timeframe, up to the point that procedures can be implemented to reduce costs moving forward.
- Funding of redundancy costs/severance payments to facilitate cost reductions moving forward.
- Funding of staffing costs to support additional resources in Teaching and Learning as considered necessary by the Trust.

Increasing the reserves balance

It is expected that all Academies within the Trust will set a balanced budget for the year. Any forecast in

year surplus will be reviewed by the Board of Trustees, Chief Executive Officer and Chief Financial Officer for the Trust to ensure that existing students are not disadvantaged through the retention of excessive reserves.

Expenditure against the reserves balance

Any request for expenditure against the reserves balance must be notified by the Academy to the Chief Executive Officer and Chief Finance Officer for the Trust. This will enable the Trust to identify when, and for what reason, it is required to draw upon reserves and can consider what corrective action, if any, needs to be taken.

Any deficit budget that is forecast for the following financial year must be accompanied by a deficit recovery plan to ensure the long term financial stability of the Academy.

Central Reserves

The reserves balance of each Academy will remain attached to the relevant Academy. However, the Trustees reserve the right to access any reserves that are accumulated in an academy to support the Trust in exceptional circumstances. In this case, recovery of reserves will be prioritised. Any reserves that are accumulated in the central Trust will be spent at the discretion of the Trustees.

