



Policy:	Reserves Policy
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Approving Board:	Resources Committee
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Reserves Policy

1 Introduction

- 1.1 The Board of Trustees is able to hold reserves to further the trust's charitable aims. The Education and Skills Funding Agency (ESFA) previously set limits on the amount of GAG (General Annual Grant) that could be carried forward by trusts from year-to-year. These limits have now been removed.
- 1.2 The TDET Master Funding Agreement notes that trusts should use their allocated GAG funding for the full benefit of their current pupils. If a Trust has a substantial surplus, they should have a clear plan for how it will be used to benefit pupils.
- 1.3 The Trust's funds are allocated to individual schools within the Trust, excluding the restricted fixed asset fund and the pension reserve. However, there is no central endowment and all funds held by the Trust are contributed by the schools within the Trust. Therefore, should a school go into deficit, it is effectively being funded by all other schools within the Trust.

2 Relationship between TDET and its Academies

- 2.1 Trustees are mindful of the Master Funding Agreement and Academies Financial Handbook and requirement that GAG funding should be spent on current pupils.
- 2.2 However, Trustees are also aware of significant volatility in the funding of education. As an independent Academy Trust, the Board of Trustees is responsible for managing the fluctuations in financial fortunes.
- 2.3 Individual schools within the Trust are expected to set a budget each year using the GAG and other grants (e.g. Pupil Premium & Early Years Funding) and matching expenditure to that income.

- 2.4 Reserves at the end of each year are generally held in support of but not restricted to:
- Contribution to capital projects planned or in development (e.g. Building Extensions)
 - Anticipated downward movements in pupil numbers (e.g. low cohort going through all school years)
 - Financial commitments made but not yet come to fruition (e.g. IT Infrastructure work)
 - Investment in future educational initiatives (e.g. Targeting improvement in a specific area)
 - Cash flow requirement (e.g. due to lagged funding such as Pupil Premium)
 - Setting aside funds for a forthcoming change in legislation (e.g. National Insurance Contributions)
 - Financial pressures outside of Trust control (e.g. LGPS Employer Contribution Rates)
 - Contingency against unforeseen events.
- 2.5 When setting individual academy budgets, trustees may set aside a budget to build up such reserves for purposes described above. This may reduce the level of GAG that is devolved at academy level or may result in additional savings targets to achieve an agreed surplus. Any such restriction would follow due consultation and give full consideration of the financial forecast of each academy.
- 2.6 Each academy may hold additional reserves over any surplus set by Trustees, and these would be ringfenced for local projects or priorities.
- 2.7 Ultimately as the final approver of the individual academy budgets, the Trustees will be responsible for acceptance of the plans. They will also need to assess whether they allow access to the individual Academy reserves as they have the responsibility of securing the financial stability of the Trust as a whole.

3 Associated Support & Workings

- 3.1 On a termly basis the Resources Committee will be presented with a financial forward planning report for each Academy within TDET. The report will identify projected financial forecasts for the next five financial years. Attention will predominantly be drawn to the forthcoming three financial years in terms of forecast outturns at each Academy.
- 3.2 Such reports can then be used as evidence to support the appropriate reserves to be held at trust level and by each academy in TDET.

4 Level of Reserves

- 4.1 As TDET only uses one bank account, specific cash flow risks to individual Academies is reduced. However, the Trust appreciates the variable nature of school funding and the difficulty in setting fixed levels of reserves for each of its academies and the central trust.
- 4.2 The Trust believes that the level of general reserves, to be held at Trust level, should be at least 5% of its most recent total income. It is the view of Trustees that a similar level should be achieved by each academy. But it is acknowledged that each individual academy within the trust will vary in terms of forward projections, and trustees will consider annually, as part of the budget planning process, the level of reserve contribution required by each academy in a given year.
- 4.3 The Director of Resources will present to the Resources Committee a termly projection of the forecast reserve level of each Academy. This will coincide with the 3-year outturn projections. Discussion upon use of such reserves can then be tabled, discussed and minuted on a regular basis.

5 Review of this Policy

- 5.1 The Board of Trustees through its Resources Committee will review this policy every year.
- 5.2 It may however review this policy earlier than this if the government produces new regulations, or if it receives recommendations on how this policy might be improved.