



Transforming Futures Trust

Reserves Policy

February 2024

| Policy Information | |
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| Policy Owner | CFO |
| Issue Version | 3 |
| Approving Committee | Audit, Risk & Finance Committee |
| Adopted Date | 27 th May 2021 |
| Review Cycle | Annual |
| Last Review Date | February 2024 |
| Next Review Date | February 2025 |

Adoption of the Policy

This Policy has been adopted and reviewed by the Trustees of Transforming Futures Trust

Signed 

Date: 21.02.24

Chair of Audit, Risk and Finance Committee



Version Control Amendments

| Version No | Date | Summary of Changes |
|------------|---------------|--------------------|
| 3 | February 2024 | Reviewed by CFO |
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1. Purpose

- 1.1 The purpose of this policy is to set out how the Trust sets and administers its financial Reserves. The development and implementation of an effective Reserves policy will restrict the impact of any risk on continuing operations, ensuring the stability of the Trust and its schools.
- 1.2 The Trust holds Reserves in order to provide sufficient working capital to cover delays between spending and receipt of grant income, to provide a cushion to deal with unexpected emergencies such as urgent maintenance or where unforeseen costs are incurred and to build up funding for planned future capital projects.

2. Introduction

- 2.1 The Trust is able to hold Reserves to further its charitable aims and to take account of the internal and external operating environment it faces. Where Reserves are held, it is a requirement of the charity accounting regulations that charity trustees must state their Reserves policy in their annual report. Further details may be found in Accounting and Reporting by Charities: Statement of Recommended Practice 2015, commonly referred to as the Charity SORP. Transforming Futures Trust, as an exempt charity, must comply with these regulations.
- 2.2 The Academy Trust Handbook notes that trusts should use their allocated General Annual Grant (GAG) funding for the full benefit of their current pupils. Where a trust has built up substantial Reserves they should have a clear plan for how they will be used to benefit pupils. When the Trust holds Reserves it may invest them to further the Trust's charitable aims. The Trustees must ensure that investment risk is properly managed. Guidance on reserve policies and their reporting requirements is contained in the Education and Skills Funding Agency's (EFSA) annual Academies Accounts Direction.

3. Roles and responsibilities

- Audit, Risk & Finance Committee: The committee is responsible for monitoring and reviewing this policy.
- Accounting Officer: The accounting officer, who is the Chief Executive Officer (CEO), is accountable to the board for the effective implementation of this policy.

4. Definitions

- 4.1 Reserves are sums of money held by the Trust to meet future expenditure. These comprise Free and Restricted Reserves.
- 4.2 Free Reserves comprise Unrestricted Reserves, i.e. derived from income funds that are freely available for general purpose use and can be spent at the discretion of the Trustees, and unspent GAG funding.
- 4.3 Restricted Reserves are mainly derived from government grant funding through the EFSA but may also include other grants or donations. Restricted Reserves must be used in accordance with the limitations outlined in the original funding.

5. Reserves policy statement

- 5.1 Trustees target a minimum level of Free Reserves across the Trust that equate to one month's operating costs and it is expected that each school will generate and contribute to the central reserves to achieve this.
- 5.2 These Reserves are held to cover:
- cashflow and contingency requirements;
 - planned or anticipated future commitments to capital projects;
 - financial commitments made but not yet entered into; and
 - planned investment in educational initiatives and new projects to further the objectives of the Trust.
- 5.3 In the medium term, Trustees aspire to a level of Free Reserves across the Trust equivalent to two months' operating costs. Trustees will review the level of Free Reserves annually with reference to financial risk and need and the level may be amended accordingly. All Reserves are accountable at Trust level as the Trustees have the responsibility of securing the financial stability of the Trust as a whole.
- 5.4 In accordance with the Academy Trust Handbook, the Trustees have determined that Transforming Futures Trust will amalgamate Free Reserves, including GAG funding, for all its academies to form one central fund. This fund can then be used to meet the normal running costs at any of the academies within the trust.
- 5.5 All Trust Academies are included in pooling arrangements.
- 5.6 Items specifically excluded from pooling arrangements will include:
- PFI funding (where applicable)
 - Grants and donations where conditions of funding are school specific (where applicable).
- 5.7 Capital funding secured (i.e. School Condition Allocation, Devolved Formula Capital, Condition Improvement Fund) is held centrally and is separately managed in accordance with the approved Estates Strategy.
- 5.8 Transforming Futures Trust will consider the funding needs and allocations of each constituent academy, with an appeals process outlined within this policy document (see section 7). Each constituent academy receives a GAG allocation statement, other funding allocations and income remittance documentation that confirm funding figures. During the budgeting process each year, each Academy Head and service leads will prepare a budget, which will be scrutinised by the Executive Team. The budgets will be reviewed alongside the various funding allocation documentation to ensure that the budgets set, are in line with pooling arrangements.
- 5.9 Where a constituent academy or service area generates an unbudgeted in-year deficit, the academy/service area will need to confirm to the Executive Team how the unbudgeted revenue deficit arose (i.e. via unanticipated events or poor budget management). Where the Trust had not formally approved for a constituent academy to incur additional expenditure following the approval of the budget, the cause of the deficit will be examined by the Executive Team; and if required this will be dealt with through

the Trust's performance management process. The constituent academy will normally be required to repay any unapproved in year deficit in the future year(s).

5.10 Where a constituent academy or service area generates an in year surplus this will be pooled at the end of the year as part of Free Reserves.

6. Use of Reserves

6.1 Expenditure of Reserves can only be undertaken when agreed by the Trust and will take into account:

- the overall Reserves of the Trust;
- the operational risks faced by the Trust;
- the priority for school capital investment and maintenance plans across the Trust.

6.2 The Trust may also choose to identify some of the Reserves as Designated Reserves, which are being held for a specific purpose, such as a capital project. The Trust will decide when Designated Reserves will be spent and always retains the right to reallocate these Reserves depending upon the needs of the Trust overall.

7. Appeals

7.1 The Academy Trust Handbook (ATH) stipulates that there must be an appeal process in place for constituent academies:

"The MAT must consider the funding needs and allocations of each constituent academy and must have an appeals mechanism. If a constituent academy's head teacher 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, whose decision will be final and who can dis-apply the pooling provisions."

7.2 The process for an academy to appeal is as follows:

- Headteacher to write to the Chief Executive Officer (CEO) outlining why the academy has been unfairly treated as part of this arrangement and what action they expect to be taken to rectify it.
- The Executive team will review each academy appeal on an individual academy and trustwide basis and reply to the constituent academy within 10 days of receipt of the appeal.
- Should the Headteacher feel that their academy has still been unfairly treated by the Chief Executive Officer, they have the right to appeal to the next meeting of the Audit, Risk & Finance Committee on behalf of the Board of Trustees. The Audit, Risk & Finance Committee will discuss this at the next meeting and write back to the academy within 10 days of that meeting.
- Should the Headteacher still feel that their school has been unfairly treated by the Audit, Risk and Finance Committee on behalf of the Board of Trustees, they have the right to appeal to the Secretary of State. The decision by the Secretary of State will be final.

8. Schools joining the Trust and treatment of reserves

- 8.1 On conversion or transfer into Transforming Futures Trust, all funds (surplus or deficit) relating to income streams that form part of the reserves pooling arrangement (as outlined in section 5), will be pooled. Any other balances will remain with the constituent school/academy joining and will not form part of the pooling arrangement, unless specifically agreed as part of the legal conversion or transfer documentation. Where balances are transferred into the Trust and do form part of a legal or transfer document, the balance will be managed and reported in line with that legal conversion or transfer documentation. Other balances transferred in, that are not subject to any legal or transfer documentation, will be managed, monitored and reported on a constituent academy basis, until the balance transferred in reduces to £Nil.

9. School leaving the Trust and treatment of reserves

- 9.1. Where the Trust is in a surplus restricted revenue reserve position.
- 9.2 If a constituent academy leaving the Trust has a deficit revenue balance, from the non-pooled restricted revenue income, the constituent academy will leave the Trust with that deficit revenue balance. If a constituent academy leaving ATT has a surplus revenue balance, from the non-pooled restricted revenue income, the constituent academy will leave the Trust with that surplus revenue balance.
- 9.3 Where the Trust is in a deficit restricted revenue reserve position.
- 9.4 If a constituent academy leaving the Trust has a deficit revenue balance, from the non-pooled restricted revenue income, the Trust will calculate the constituent academy's share of the pooled deficit revenue balance, which will be added to the deficit revenue balance that the constituent academy will leave the Trust with. The calculation of the constituent academy's share will be based on pupil numbers. For example, if the constituent academy leaving the Trust has 100 pupils and the Trust as a whole has 1,000 pupils (including the constituent academy leaving the Trust), the constituent academy's share of the Pooled deficit revenue position will equate to 10%.
- 9.5 If a constituent academy leaving the Trust has a surplus revenue balance, from the non-pooled restricted revenue income, the Trust will calculate the constituent academy's share of the pooled deficit revenue balance, which will be deducted from the surplus revenue balance that the constituent academy will leave the Trust with. The calculation of the constituent academy's share will be based on pupil numbers. For example, if the constituent academy leaving the Trust has 100 pupils and the Trust as a whole has 1,000 pupils (including the constituent academy leaving the Trust), the constituent academy's share of the Pooled deficit revenue position will equate to 10%.