



Transforming Futures Trust

Reserves Policy

February 2024 (updated May 2024)

Policy Information	
Policy Owner	CFO
Issue Version	3.1
Approving Committee	Audit, Risk and Finance Committee
Adopted Date	27 th May 2021
Review Cycle	Annual
Last Review Date	May 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: 21st February 2024

A handwritten signature in black ink that reads 'G. Oliver'.

Chair of the Audit, Risk and Finance Committee



Reserves Policy

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 Academies Financial 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 effectively 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

- Finance and Audit 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

- 4.2.1 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

4.3.1 Are 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.

4.3.2 Restricted Fixed Asset Reserve

Is specifically held for capital purposes and equates to the Net Book Value of the assets held by the Trust plus any unspent capital grants that have been accounted for in year

4.3.3 Pension Reserve

The pension reserve represents the difference between the value of the LGPS' assets and liabilities, as valued by actuaries at each year end. These valuations are set out each year within the Trust's audited accounts.

The pension reserve surplus or deficit does not constitute an immediate liability or realisable asset and does not mean that the equivalent amount is already committed or no longer available to the Trust.

The presence of a pension surplus or deficit will result in a cash flow effect for the Trust in the form of an increase or decrease in employers' pension contributions over a period of years.

5. Reserves policy statement

5.1 The Board targets 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, the Trust aspires to a level of Free Reserves equivalent to two months' operating costs. The Board 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 Board level as the Trustees have the responsibility of securing the financial stability of the Trust as a whole.

5.4 In accordance with the Trust Academy Handbook, the Trustees have determined that Transforming Futures Trust will amalgamate Free Reserves, for all its schools to form one central fund. This fund can then be used to meet the normal running costs at any of the schools within the trust, subject to Board discretion.

5.5 All Trust Schools 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 Annual (formula) capital funding allocations received from the DfE/ESFA (i.e. School Condition Allocation, Devolved Formula Capital, Condition Improvement Fund) that is not spent at year-end will be held as a Restricted Reserve for the use of the school, in accordance with grant conditions (some grants are time limited).

5.8 Where a constituent School 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 Board and will consider:

- 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, subject to agreement by the Board, which can be held for a specific purpose, such as a capital project. The Board retains the right to reallocate these Reserves depending upon the needs of the Trust overall.

7. Deployment of Reserves

7.1 The use of free reserves is at the discretion of the Board. In order to ensure all TFT Schools have fair access to the reserves, an appeals process is available in the event that a School feels that it has not been fairly treated.

7.2 The appeals process is:

- Executive 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 CEO will reply to the constituent School within 10 days of receipt of the appeal.
- If the Executive Headteacher is not satisfied with the response, they should write to the Chair of the Finance, Audit & Risk Committee to have their case heard at the meeting of the Finance, Audit & Risk Committee. The decision of the Finance, Audit & Risk Committee is 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. Restricted revenue reserve

- 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 Non-restricted (free) revenue reserve

- 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%.

APPENDIX 1 – VERSION CONTROL AMENDMENTS

Version No	Date	Summary of Changes
3	February 2024	Reviewed by CFO
3.1	May 2024	Sections 4, 5, 6 &7