



# Triumph Learning Trust

Aspiration - Collaboration - Innovation

## Reserves Policy

### Policy Details

<b>Policy Level</b>	Trust
<b>Document Approver</b>	Trust Board
<b>Document Status</b>	Final
<b>Applicable to</b>	All Trust Employees
<b>Review Frequency</b>	Every Year

### Revision History

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## 1. Introduction

The Board of Triumph Learning Trust recognise that the Reserves Policy must address the management of financial risk across the trust, be in line with the trust's vision and values whilst being mindful that existing pupils are not disadvantaged through the retention of excessive reserves. The board is responsible for the policy and approval of expenditure of reserves in line with the Financial Authorities in the Scheme of Delegation. The Chief Executive Officer is responsible for the implementation of the policy in conjunction with the Chief Finance Officer and the Heads of each school.

### The policy aims are as follows:

- To ensure a consistent reserves policy across the trust.
- To identify an appropriate range of reserves for the trust.
- To explain the reason for holding reserve balances.
- To ensure internal control arrangements within the trust are operating effectively and ensure proper stewardship over public funds.
- To ensure that the board receives oversight of the reserves position of the trust and challenge this position as required.
- To ensure that the trust adopts a structure of prudent financial management and maintains sufficient reserves to meet the future needs of the trust and its schools.
- To inform the budget and risk management processes by considering whether reserves need to be used during the financial year to address an in-year deficit budget.
- To assist strategic planning by considering how new projects or activities will be funded.

## 2. Scope of Policy

This policy has been formulated in accordance with the ESFA Academies Trust Handbook (ATH), the Academies Accounts Direction (AAD) and guidance issued by the ESFA on academy trust reserves.

As documented in the ATH:

### Part 2: Main Financial Requirements

The board of trustees must approve and minute their approval of 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 of trustees must notify ESFA within 14 calendar days of its meeting if proposing to set a deficit revenue budget for the current financial year, which it cannot address after taking into account unspent funds from previous years, as this would be non-compliant with the funding agreement and this handbook.

### Part 5: Delegated Authorities

ESFA previously set limits on GAG carried forward by trusts from year-to-year. These limits have now been removed for eligible trusts.

The ability to amalgamate and direct funds to meet improvement priorities and need across the trust's schools can be integral to a trust's successful financial operating model. A trust with multiple academies can amalgamate GAG for its academies to form one central fund. This practice can enhance a trust's ability to allocate resources in line with improvement priorities and running costs across the trust's constituent academies.

### **3. Responsibilities**

The Trust recognises it has a statutory obligation to adopt formal policies and establish workplace procedures for dealing with Reserves. The Trust recognises that Reserves rules and procedures promote good employment relations and is committed to dealing with matters in a fair and consistent way.

The Trust recognises it has a statutory obligation to adopt formal policies and establish workplace procedures for dealing with Purchasing Card Policy. The Trust recognises that Purchasing Card rules and procedures promote good employment relations and is committed to dealing with matters in a fair and consistent way.

The CFO is responsible for providing advice and guidance under this policy and reviewing and updating the policy as required.

The CEO takes overall responsibility for the implementation of policies and procedures and will provide appropriate reports to trustees.

### **4. Trust Level Reserves**

The reserves policy applies to the free reserves of the trust. The trust considers its free reserves to be made up of funds permitted to be used for the general running of the trust's main activity of delivering education. These are the balance of the unspent unrestricted funds of the trust plus the balance of unspent General Annual Grant ("GAG").

The trust aims to ensure that there is a minimum between 7% and 10% of free reserves at any given point in time across the trust. This equates to approximately the cost of one month's revenue expenditure for the trust, staff salaries being the key monthly outgoing which the trust, under no circumstances, would be willing to default on.

The trust aims to ensure that the maximum level of free reserves at any given point in time is 10%. By setting a maximum range the trust aims to ensure that it remains protected from financial vulnerabilities whilst ensuring funding is utilised to benefit current pupils.

A comparative between the current level of free reserves and the reserves range detailed in this policy should be reviewed by the trust, annually.

The range of free reserves set out in this policy should ensure that sufficient funds are held to enable the trust to manage financial risks in the short to medium term. General reserves are held to cushion additional cost or losses in income in the short term as the forecast cost of each individual risk is difficult to measure.

Current areas of risk identified are:

- Short term fluctuations in income e.g. reduced pupil numbers.

- Longer term changes in income due to local falling birth rates.
- Funding of unforeseen expenditure e.g. urgent maintenance work.
- Funding of material capital projects e.g. building improvement works.
- Delivering a robust program for renewal and replacement of school assets.
- 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.
- Strategic development and growth. This includes preparing for new schools to join the trust, or for existing academies to expand; and
- Investing in the central services of the trust to improve delivery to academies within the trust or preparing to increase central capacity for new schools joining the trust.

The trust may decide to designate reserves for capital projects in accordance with the trust's capital investment strategy. The trust will endeavour to ensure funds which are being held for future projects are invested to generate extra income for the trust. This investment will be within the trust's investment policy and allow for access to the funds should they become needed.

Reserves relating to the trust's pension liability should be taken into consideration. The trust should assess its ability to meet the required pension contributions from projected future income without significantly impacting upon its planned level of activities.

## **5. Expenditure Utilising Carried Forward Free Reserves**

Any request for expenditure against the free reserves balance must be notified by the school to the Chief Executive Officer and Chief Finance Officer. This request will be passed to the board for approval if required by the scheme of delegation.

## **6. Pooling Reserves**

The ESFA is flexible in its approach to pooling of reserves (which can be fully, partially or not pooled) by trusts. The trust board review this decision annually during budget setting. There may be instances where pooling of reserves may be considered necessary, such as for a major capital project. In such circumstances the CEO would consult with individual schools and a case be presented for authorisation by the trust board.

Any reserves accumulated in the trust will be spent at the discretion of the trust board.

## **7. Reporting Reserves**

Reserves are reported annually in the Annual Report and Financial Statements delivered to the Education & Skills Funding Agency (ESFA), Companies House and published on the trust's website in line with the requirements of the AAD & ATH.