

# Reserves Policy



**Review Date**

November 2023

**Ratified**

January 2024

**Next Review Date**

November 2024

**Responsible Directorate**

Operations

# Our Trust

*These four critical questions make it clear who we are and what we do.  
We ask ourselves these questions to guide our work and our improvement.*

## Why do we exist?

To **transform life chances** by achieving the highest possible standards and preparing all our students to lead successful lives.

## How do we behave?

- **Hard work**  
*We are determined to see things through to the end and are resilient when faced with challenges.*
- **Integrity**  
*We do the right thing because it is the right thing to do.*
- **Teamwork**  
*We work together to help everyone succeed.*

## What do we do?

- We educate, safeguard and champion all our learners.
- We set high standards for ourselves and our learners.
- We build the powerful knowledge and cultural capital which stimulate social mobility and lifelong learning.

## How will we succeed?

1. Aligned autonomy
2. Keeping it simple
3. Talent development

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# 1 | Introduction

- 1.1 Academy Transformation Trust has established a reserves policy to give assurance that Trust finances are being properly managed and to provide information on future needs.
- 1.2 The Trust can hold reserves to further the Trust's charitable aims, as well as to create financial sustainability to provide resilience against unpredictable external financial changes (such as a delay in payment of grant income or increases in expenditure).
- 1.3 The policy provides a framework for future strategic planning and decision-making, ensuring sufficient provision for future cash flow requirements.
- 1.4 The Trust pools reserves across its academies.

# 2 | Types of Reserves

## 2.1 **Unrestricted Reserves**

Unrestricted reserves are derived from income funds, grants or donations that can be spent at the discretion of the Trustees in furtherance of any of the Trust's objectives. For administrative purposes, part of an unrestrictive reserve can be designated as a separate fund, where this is for a particular project. However, this does not restrict the Trustees discretion in spending this fund. Increases in unrestricted reserves are driven by operational efficiencies and increased trading activities by the Trust.

## 2.2 **Restricted Reserves**

Restricted reserves may be restricted income funds, grants or donations that are designated for a particular purpose by the donor or through grant restrictions. Restricted reserves are only available to spend once the Trust has met its commitments and requirements per any limitations set out in the original funding. Restricted reserves are also inclusive of capital items and are defined as Restricted Fixed Asset Reserves. This reserve is held specifically for capital purposes.

## 2.3 **Pension Reserves**

The Trust's share of the Local Government Pension Scheme deficit is held in a Restricted Pension Reserve. The pension surplus or deficit does not constitute an immediate liability or realisable asset and does not mean that the amount is already committed or no longer available to the Trust. The pension scheme surplus or deficit will affect the cash flow of the Trust in the form of increased or decreased employer pension contributions over several years. The Trust is confident it can meet the required pension contributions.

## 3 | Level of Reserves

- 3.1 The main financial risk to the academies and trust is that of managing its short-term cash flow effectively. When considering the appropriate level of reserves, trustees should also consider:
- A fall in levels of income, such as government grants being reduced or withdrawn, or fall in other income streams such as lettings;
  - Planning for future commitments such as major capital projects;
  - The potential for an unforeseen emergency or unexpected need for funds;
  - Covering potential deficits in the budget, such as payment being made before specific grant funding has been received; and
  - The longer-term financial sustainability of the Trust.
- 3.2 To mitigate these risks it has been agreed that an appropriate reserves target should be 5% of overall Trust income. Though other Trusts do set a higher target, ATT considers this level to be appropriate given its standing as one of the larger Multi Academy Trusts in the country; for much smaller Trusts, a higher target may be more appropriate.
- 3.3 Reserves exceeding this target should result in plans produced by the Trust Executive Leadership Team, and with approval from trustees, for specific strategic or investment purposes (e.g. capital projects). As an overriding principle, however, ATT believes in maximising use of resources in-year, and as such, would work with its academies to ensure that large underspends do not arise that can then lead to build-up of excessive reserves.

## 4 | Conversion Balances

- 4.1 Investment risk will be managed through asset class selection and diversification to ensure that security of deposits takes precedence over revenue maximisation.

## 5 | Management of Reserves

- 5.1 Reserves held by the Trust will be reviewed by the trustees on a regular basis, as well as being disclosed in the annual financial statements. Trustees should consider the option for reserve balances such as assigning funds to a designated reserve, investment of funds, and releasing funds into the revenue income budget. Any movement of funds from restricted to unrestricted reserves must be subject to obtaining permission from the original donor of the funds.
- 5.2 Where reserves are built up for specific strategic/investment purposes, the Trust will invest these funds in line with the Investment Policy.

- 5.3 Where reserves are carried forward from the preceding financial year and some of the reserves need to be released in the current year's budgets, they would be subject to virements that should be agreed by the Finance and Resources Committee and/or Trust Board.