



Reserves Policy

Tees Valley Education Trust

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INTRODUCTION

Tees Valley Education is conscious of balancing holding adequate amounts of reserves to deal with the growth of the Trust and any unexpected costs arising, with the entitlement that funding is used to benefit each pupil in an academic year. The Trust has therefore decided to define a set of rules in order to manage reserves in an intelligent, consistent but proactive manner in each academy and therefore across the Trust.

The identification of these factors might point to a need for reserves. The Trust's Reserves Policy is not regarded as a static policy as circumstances will change with time. Therefore this policy will be reviewed at least annually as part of the Trust's planning processes.

SETTING THE RESERVES

The Trust's level of reserves is expressed as a target percentage / figure and is informed by:

- forecasts for levels of income for the current and future years, taking into account the reliability of each source of income;
- forecasts for expenditure for the current and future years on the basis of planned activity including the Trusts growth strategy;
- analysis of any future needs, opportunities, commitments or risks, where future income alone is unlikely to be able to meet anticipated costs;
- assessment, on the best evidence reasonably available, of the likelihood of each of those needs that justify having reserves arising and the potential consequences for the Trust of not being able to meet them

LIMIT OF RESERVES

The Trust has set an 8% reserves limit of General Annual Grant (GAG) Funding.

MONITORING OF RESERVES

The level of reserves will be monitored throughout the year as part of the normal monitoring and budgetary reporting processes, this will include:

- Cash in the bank
- Total funds held in the Trust's deposit account
- Restricted funding (included in reserves, but ring-fenced for a particular project)
- Updated of current position with reserves committed e.g. CIF capital contribution
- Forward plan of potential financial commitments, for future use of reserves

This level of monitoring will enable Audit, Risk and Finance Committee to:

- identify when reserves are drawn on, the reasons and any corrective action, if any, that needs to be taken;
- identify when reserve levels rise or fall significantly above or below target, the reasons and any corrective action, if any, that needs to be taken;
- ensure that the reserves policy continues to be relevant as the Trust develops or brings on board new activities;
- review the statement on reserves in the Trustees' Annual Report where there have been significant changes in the reserves policy or level of reserves held.

RESERVE LEVELS

The Trust believes that the funding received in any one year should be used to support the children on roll at the time unless there is a specific project which will require the accumulation of funding over more than one year. We also wish to ensure the stability of our organisational operations such as the outreach centre, Discovery Special Academy and estate management of all sites and premises. Reserve levels should enable us to react quickly to changes in financial circumstances, for example:

1. large unplanned expenditure and support with investment in outcomes for children across the Trust (i.e. capital, estates management and condition improvement work).
2. inline with the Trusts growth and integrated curriculum financial planning framework, to ensure the staffing levels are able to deliver the curriculum for all children's needs including special needs.

Our long term aim, which we consider prudent, is to reserve 8% of GAG funding and will exclude from the calculation Pupil Premium, SEND funding and top up fees as well as any capital funding. In year reserves planned for the next three years are:

- 2020/2021: Plan to achieve £163k (approx. 3%).
- 2021/2022: Plan to achieve £249k (approx. 4%).
- 2022/2023: None – due to the energy crisis during the year

The reserve fund had a balance of £1.3m at 31st August 2021. The budget reserves during 2021/22 have been factored in to continue to support Discovery Special Academy during its initial year of opening on its permanent site. Reserves have also been used in the financial year to support investment into teaching and learning capacity, this has directly improved children's outcomes across the Trust. All such investments are with the fundamental aim to support the journey for excellence in the academic year 2021/22 and in support of the Trust's Growth Strategy. In addition, some budget reserves have been utilised to cover expenditure associated to COVID learning and pastoral support catch up, building costs, health and safety and accessibility where modifications have been necessary.

The total unrestricted and restricted reserve funds had a balance of £1.3m at 31st August 2021.

PROCEDURE TO ACCESS THE RESERVES

Any Academy of the Trust may seek support from the Trust's reserves, through a clear and fully costed business case. The business case must be submitted to the Audit, Risk and Finance Committee seeking approval for access to the reserves, within the governance timeline. The headteacher may be asked to attend the committee meeting by the Chair to present the business case and provide answers to Trustees.

Following the meeting, the committee members will make a recommendation to the next scheduled Trust Board meeting, following the ARF meeting. Trust Board will make the final decision, if an academy can access the reserves. Possible outcomes may be:

- a) Rejected with reasons
- b) Further information required and no decision made
- c) Approved
- d) Approved, but as a loan from the reserves with an agreed payment plan to ensure reserves are maintained.

The decision will be minuted by the Governance Professional to the Trust Board.