



Balances and Reserves Policy

Date Adopted: 12th September 2018

Author/owner: Board of Trustees

Review: Annually

NB. 'Trustees' means the Directors referred to in the Trust's Articles of Association

History of most recent policy changes

Version	Date	Page	Change	Origin of Change e.g. TU request, Change in legislation
V1.0	12.9.18	New	Policy moved from SAT to MAT	To set the parameters for Balances and Reserves in line with statutory requirements.

Contents

History of most recent policy changes.....	2
1. Introduction.....	4
4. Setting of Reserves	4
5. Limit of Reserves.....	5
6. Monitoring of Reserves	5
7. Academies in Deficit	5
8. Reserve Levels	5

1. Introduction

Tarka Learning Partnership [TLP] has established this reserves policy to protect its activities by providing financial buffers against an unpredictable environment and to make sufficient provision for future cash flow requirements, large unplanned expenditure, and capital improvements. The policy also provides the framework for future strategic planning and decision-making. An effectively implemented reserves policy will mitigate the impact of risks upon the continuing operations of the TLP caused by funding uncertainty or unforeseen events. This policy and the establishment of reserve targets should be based on a continual assessment of the internal and external operating environment.

2. Types of Reserve

Reserves are the representation of the cash balance available at the period end. In charity accounting (used for Multi Academy Trusts), this cash is transferred into fund balances. There will be reserves for each Academy which is a member of the TLP [Academy Reserves] and there will also be a reserve in respect of the TLP itself and the training organisation [Central Reserves].

Unrestricted funds represent those resources which may be used towards meeting any of the charitable objectives of the Trust at the discretion of the Trustees.

Designated funds are part of unrestricted funds that have been set aside to be used for a particular future project or commitment. Although earmarked, a designated fund remains part of the unrestricted funds of the trust. This is because the designation does not legally restrict the Trustees' discretion in how to apply the unrestricted funds that they have earmarked.

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by funders where the asset acquired or created is held for a specific purpose.

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder/donor and include grants from the ESFA.

3. Key Policy Principles

The following principles underpin the Trust's approach to reserves management:

- The Trust will set a balanced in-year revenue budget every year for each individual academy and the central service. In some years an in-year deficit or surplus may be permitted. This may be due to a lag between expected funding and expenditure, planned use of reserves over the minimum stated in the policy or some other exceptional reason. Where this occurs and reserve levels are below the policy threshold, this must be justified by a 3 year forecast that the impact on reserves is expected to be mitigated in future years.
- Academy's Reserves and Central Reserves balances should only decrease below the expected levels without expected replenishment in the following years due to capital investment and/or other organisational need which shall be approved by the Board of Trustees.
- All reserves are held by the Trust, however individual Academy Reserves and the Central Reserves balances are reported for the purposes of statutory accounting.
- Each Academy Reserves meets the minimum level
- The Academy Reserve and Central Reserve may be comprised of restricted or unrestricted reserves.
- Designated Reserves may mean that the total of reserves may exceed the target level of reserve

4. Setting of Reserves

The Trust's level of reserves can be expressed as a target figure or a target range or % of turnover and should be informed by:

- its forecasts for levels of income for the current and future years, taking into account the reliability of each source of income.
- its forecasts for expenditure for the current and future years on the basis of planned activity;
- its analysis of any future needs, opportunities, commitments or risks, where future income alone is unlikely to be able to meet anticipated costs I.e. capital investment
- its 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 academy of not being able to meet them.
- Its assessment of any activity as a going concern and implications of the cessation of such activities
- Restricted Capital Funding is not included in the General Reserve level

5. Limit of Reserves

The Trust should not set a level of reserves above the limits permitted by the ESFA that may result in a claw-back of funds by the DFE.

Reserves from unrestricted funds are at the discretion of the Trust.

6. Monitoring of Reserves

The level of reserves should be monitored throughout the year as part of the normal monitoring and budgetary reporting processes 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 academy 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.

7. Academies in Deficit

In exceptional circumstances, an academy may propose a deficit in - year budget. Where an academy/central team is operating with an in-year deficit it will have to draw upon their reserves. Where reserves are below the threshold level set, the budget must be accompanied by a recovery plan approved by the Board of Trustees, resulting in the deficit being 'repaid' within a timeframe deemed acceptable by the Board to bring reserve levels back to the agreed threshold.

Where an academy has no alternative but to set a deficit budget beyond the level of their reserve the TLP Trustees may approve the overall deficit position based on the total level of reserves held by the Trust in order to manage its finances to achieve overall value for money. At the Trustees discretion, this repayment may be postponed or spread over more than one year considering the specific circumstances leading to the deficit position and the ongoing financial health of the academy in question.

8. Reserve Levels

8.1 Academy Reserves

The level of reserve that the Trust considers prudent for its current operational environment for its academies is 5% of overall income. Reserves are designated where loans have been used to support capital investment.

8.2 ITT and Teaching School Activities

The activities in relation of DPSCITT and the Teaching School should be sufficient to meet redundancy costs in the event that those activities no longer form part of the Trust's activities or there is a change in government policy. All of the reserves for DPSCITT are designated. The reserves of DPSCITT should not fall below £60,000 in 21-22

8.2 Central Reserves

The level of reserve that the Trust considers prudent for its current operational environment for its central services is 5% of overall income.

The level of undesignated reserve is approximately 7% of projected income for 22-23. For 22-23 the Trustees have agreed the use of some Academy reserves to support in year deficit budgets for investment in IT and buildings.