Girls' Learning Trust

RESERVES POLICY

Summary Version

Approved By: Trust Board (annually)
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CONTENTS

1. POLICY PURPOSE

The purpose of this policy is to outline the Trust's approach to maintaining reserves, ensuring financial stability and risk management in alignment with the Trust's long-term strategic goals The Trust holds designated and unrestricted reserves for the following reasons:

i. Managing and reducing risks to allow the organisation time and resources to deal with any changes and setbacks and remain a going concern.
ii. Ensuring sufficient working capital (cashflow) for running the Trust, offsetting phasing and lagged funding issues.
iii. Implementing future improvement plans and meeting expected capital investment costs.
iv. Growing the Trust and supporting other potential schools with entry into the MAT.

2. LEGISLATION AND GUIDANCE

This Reserves Policy is developed in accordance with the requirements set out by the Academy Trust Handbook, issued by the Education and Skills Funding Agency (ESFA), which outlines financial management expectations for multi-academy trusts (MATs).

The policy aligns with the Charities Act 2011, ensuring that the Trust's reserves are maintained in line with charity law, given that many trusts hold charitable status. Additionally, it follows best practice guidance from the Charity Commission on setting and maintaining an appropriate level of reserves.

The policy also adheres to Companies Act 2006 requirements, as applicable to trusts registered as companies, ensuring financial sustainability and transparency.

3. RESERVES PRINCPLES

The Trust allocates its usable reserves into the following five categories:

Type	Definition
Trust Financial Stability Fund	These funds are kept aside to handle unforeseen contingencies, emergencies, and crisis situations. They provide a safety net during uncertain times and help the Trust maintain stability, remain a going concern and transition to more secure financial operating context.
Trust Growth Fund	These funds are allocated specifically to provide resources to grow the Trust, supporting the transition of an academy as part of a comprehensive due diligence process.
Restricted Funds	These funds are set aside for specific purposes or projects as designated by funders or donors. The funds must only be used in accordance with the restrictions specified in obtaining them.
School Funds	These funds are ring-fenced and set aside to support extra curricula enrichment programmes within the schools, and to improve physical facilities where other funding is not available.
Trust Improvement Fund	These funds are allocated specifically to provide resources to improve the Trust. Capital expenditure (for example estates and IT) will usually be funded from this, but it will also be open for other projects providing they meet the following tests: ▪ The investment is aligned with Trust priorities. ▪ The investment is time-limited, or there is a clear plan to bring recurrent future costs into the annual budget.

	▪ The investment cannot be met from other funding sources, or the annual revenue budget. ▪ The investment is supported by the Executive Leadership Group and approved via the correct governance route.

The Trust adopts a pooled approach to reserves except for Restricted Funds and School Funds, which remain with the specific school and/or activity for which the income is allocated or fundraised.

The Trust adopts a risk-based approach to the Financial Stability Fund, based on an analysis that considers (i) cash flow requirements and (ii) key income and expenditure risks. It is calculated via the methodology set out in *Section 3 Trust Financial Stability Fund: Key Risks Analysis* below.

The Trust adopts a needs-based approach to the Growth Fund, working with a potential school as part of a comprehensive due diligence process to understand specific challenges and agree a bespoke financial plan as required. It is calculated based on previous experience and likely costs related to school transition and transformation.

The Trust adopts a strategic planning approach to expenditure from the Improvement Fund that runs alongside the annual budgeting round to ensure all potential investments are considered against each other. It is calculated by the remaining income not already allocated into other reserves funds.

4. ROLES AND RESPONSIBILITIES

Trust Board: The Trust Board is responsible for approving and overseeing the Reserves Policy, ensuring it supports the Trust's long-term financial stability and strategic objectives. The Board reviews the policy annually and makes adjustments as needed.

Finance Committee: The Finance Committee reviews the Reserves Policy annually, recommending it to the Trust Board. The committee monitors reserve levels and advises on necessary adjustments to align with the Trust's financial strategy.

Chief Executive Officer (CEO): The CEO is accountable for the effective implementation of the Reserves Policy across the Trust, aligning reserve management with strategic goals. The CEO also communicates the importance of adequate reserves to stakeholders.

Chief Financial Officer (CFO): The CFO is responsible for managing the Trust's reserves, monitoring reserve levels, and reporting regularly to the Finance Committee and Trust Board. The CFO ensures reserves are allocated, invested, and used in line with the Trust's financial strategy and legal requirements.

Headteachers: Headteachers ensure school-level reserves are managed according to the policy, working with the CFO to align reserve use with school needs and reporting any concerns or requirements.

5. TRUST FINANCIAL STABILITY FUND: KEY RISKS ANALYSIS

A risk-based approach to a reserves policy considers the levels of income and expenditure in current and future years and considers the reliability of each source of income and potential for unplanned expenditure to materialise. Using this approach, a total financial figure is derived that will enable the Trust to 'weather a storm' and transition back to a steady state budget in a measured and considered way.

A risk-based approach is considered the most appropriate methodology for the Trust for the following reasons:

- Diverse Risk Profile: the Trust oversees multiple schools, each with its own set of challenges, financial situations, and operating environments. A risk-based approach allows the Trust to identify and assess the diverse range of risks across our portfolio, considering factors like location, student demographics, financial health, and academic performance.

- Operational and Educational Risks: the Trust faces operational and educational risks related to staff, facilities, curriculum, compliance, and student outcomes. A risk-based approach helps prioritise the allocation of reserves to address critical areas where risks could have a significant impact on the overall performance and reputation of the Trust.

- Compliance and Regulation: the education sector is subject to various regulations, and the Trust must adhere to financial and governance requirements. A risk-based approach aids in ensuring that the Trust maintains appropriate reserves to meet regulatory expectations and respond to potential compliance issues.

- Long-Term Stability: the Trust operates with a long-term perspective to improve educational outcomes and secure our financial sustainability. A risk-based reserves policy enables us to plan for the future and build financial resilience, especially during periods of economic uncertainty or changes in funding models.

- Strategic Decision-Making: with a risk-based approach, the Trust's leadership can make strategic decisions based on a clear understanding of potential risks and their potential impact on the trust as a whole. This fosters better-informed decision-making and resource allocation.

Key Financial Risk Considerations

Student Numbers: The Trust carefully monitors and manages school admissions at each site to ensure recruitment aligns with capacity. As the admissions risk is effectively managed at the school level, no additional reserves are required to address this.

Government Funding and Staffing Costs: Given fluctuations in government funding, the Trust reserves funds to cover potential adjustments in staffing, allowing flexibility without impacting education delivery. To prepare for a worst-case scenario, £900k is allocated to support staffing needs across the Trust.

Commercial Income Risks: The Trust receives approximately £500k annually from commercial activities (e.g., facility rentals), with much of this secured through long-term agreements. This income is budgeted conservatively, with no additional reserve required.

Estates Risks: Schools within the Trust are generally in good condition, but emergency funds are reserved to address any major facility issues that may arise. Additionally, large capital projects are closely monitored, with up to 25% of the project value held in reserve if costs exceed expectations. An allocation of £250k is maintained for emergency estate repairs.

IT Risks: Recognising the critical role of IT, the Trust reserves £150k to cover potential IT-related emergencies, ensuring continuity in school operations.