

Reserves Policy

Introduction

Hadrian Learning Trust (HLT) 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 and capital procurement. The policy also provides the framework for future strategic planning and decision-making. The development of an effective reserves policy will restrict the impact of any risk upon the continuing operations of HLT.

The policy takes into account the Academy Trust Handbook and guidance from the Charity Commission.

Level of reserves

To manage short-term cash flow effectively, the Trustees consider it prudent to hold reserves for HLT equating to 4 weeks' expenditure, which is approximately £955k. This would be held so that there is sufficient working capital to enable HLT to manage its cash flow efficiently to:

- cover delays between spending and receipt of grants,
- manage annual variations in student numbers, and
- provide a cushion to deal with unexpected emergencies.

The academy trust's current level of revenue reserves (excluding fixed asset fund and pension reserve) are in surplus above the level of reserves required for the ongoing needs of the academy trust. The trust plans to use some of the excess reserves to fund staff pay increases and to cover inflation of other costs.

The Trustees continue to consider additional activities related to the academy trust's objectives to which the excess reserves may be applied including providing an option as to whether to contribute to the pension deficit and/or to develop HLT's longer-term goals and ambitions by building up seed funding for future capital projects and educational initiatives for the benefit of pupils.

As HLT receives various income from sources other than its GAG funding for associated activities, Trustees will ensure that each activity outside the GAG funded activities is a going concern.

Restrictions

Under the grant conditions set out by the Education and Skills Funding Agency (ESFA), as per HLT's Master Funding Agreement (clauses 4.14 and 4.15):

At the end of any Academy Financial Year the Academy Trust may carry forward unspent GAG from previous Academy Financial Years without limit (unless a limit is specified in the Academies Financial Handbook, or otherwise as specified in writing by the Secretary of State, in which case that limit will apply). The Academy Trust must use any GAG carried forward only for purposes of GAG as set out in this agreement, or otherwise as specified in the Academies Financial Handbook or in writing by the Secretary of State.

Currently, there is no such restriction on GAG carry forward limit. However, the principle of using allocated funding for the benefit of current pupils should apply. Therefore, HLT will not build up a substantial surplus without having in place a clear plan for how it will be used to benefit pupils.

Review and monitoring

The Chief Financial Officer will monitor the cash levels and the level of reserves throughout the year as part of the normal monitoring and budget reporting process. This will be presented to the Finance and Audit Committee at, at a minimum, termly intervals so that Trustees are able to keep the reserves level under review.

The reserves policy will be reviewed by the Finance and Audit Committee on an annual basis to ensure continuing appropriateness.