



Special Partnership Trust



## RESERVE POLICY

Date Last Reviewed: September 2023

Review Date: September 2024



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## Reserve Policy

### Reserve Strategy Proposal

There is a general acceptance that schools should use today's money for today's pupils, rather than building up large reserves, especially if those reserves are not part of a medium-term plan. The Trust pools reserves at a Trust level, not at an individual school / ARB level. This enables the Trust to develop and deliver Trust strategic partnership priorities and/or to mitigate risks as outlined in the strategic risk register. The Trust reviews the reserve policy annually, seeking advice from the Trusts management accountants and auditors and to ensure that the Trust meets the requirements as set out in the Academies Handbook.

#### General Reserve

The principle of the Trust Reserve Policy is to achieve the following:

1. Encourage effective financial budget management at a school/ARB.
2. Ensure that the Trust maintains the minimum required to operate effectively and enable the organisation to continue to support schools/ARBS in financial deficit, provide emergency intervention, or rapid improvement/ change management strategies.
3. Provide a facility (using a 'ring-fenced' capital reserve) for schools to 'save' a proportion of revenue over a period of years to spend on capital projects that are too large to be able to fund in-year. Either supporting essential maintenance (beyond CiF or due to the nature of the estate), addressing an identified need or developing resources for pupils i.e., T&L environment. Priorities will be identified and managed by Estate Manager in conjunction with Headteachers.
4. Provide a facility for schools across the Trust to build reserves to pump prime service development/added value innovation (i.e., intra-professional development). Trust SLT agrees the Trust-wide project.

The Trust retains a minimum of 4% of GAG. Should the Trust reserve fall below that amount, the Trust reserve will be replenished as a priority.

As recommended by the ESFA the Trust will maintain an operating reserve balance of between 3-5% of total income. This currently equates to approximately **£880,265** to cover payroll net wages, as an operating reserve.

#### Earmarked General Fund Reserves

We have created some strategic internally 'ringfenced' reserves to enable the Trust to discharge its strategic objectives over the next 2-3 years. These are internally 'ringfenced' reserves within the 'free' reserves that are reported in our accounts. This approach is an extension of the current Reserve Strategy based on the favourable financial position.

The Trust has identified that there are key areas for development to prepare for the Trust growth of a specialist Trust whilst continuing to ensure that the Trust retains the capacity to deliver a quality, value added educational offer to all SEND pupils attending Trust settings. The Trust also retains the capability to target areas for development or to mitigate risk.

Potential reserve commitments for 2022/23 financial year include:

- Additional capacity to 'pump prime' and / or support Trust growth/volume
- ARB deficit management/risk mitigation
- Commitment to 1<sup>st</sup> (and 2<sup>nd</sup>) year of the Trust pilot Intra-professional / therapeutic team development
- Emergency School Improvement Intervention/Wellbeing
- Orchard Manor School residential provision re-organisation costs/repayment

### **Review**

During the autumn, the Trust reserves are reviewed on an annual basis to ensure they meet the current and future needs of the Trust. As part of the review members consider for each earmarked reserve:

- the reason for/ purpose of the reserve
- how and when the reserve can be used
- its relevance and adequacy
- When to begin to replenish the reserve.

Any transfers to or from earmarked reserves are approved by the Trustees.

### **Risk Analysis**

Any recommendations that change the planned use of reserves will take account of service needs against the need to retain prudent levels of reserves. There are significant risks which affect the level of reserves to be maintained and the type of risks that have been considered, but which also be kept under review are:

Future funding gap - the risk that due to the economic conditions, there are likely to be further real term reductions in levels of revenue support grant and reductions in specific grants.

- Reduced capital receipts and planning related income.
- Increased demand on services which can lead to overspends.
- Lower than expected income
- Uninsured losses from hard to predict events.
- Inability to deliver planned savings.
- Risks to the delivery of the Trust's Educational Offer
- Organisational Restructuring – for example, redundancy and pension costs.
- Repair or replacement of assets – for example, buildings.

**Process for accessing Trust pooled reserves.**

Should Trust pooled general reserves increase above the amount specified in the policy. The Trust Senior Leadership Team will prioritise the use of additional resource either toward Trust wide development priorities or to schools/ARBs split equally for one – off capital or revenue projects, school, improvement initiatives.

The use of the surplus general resources must be approved by a Trust Sub-Committee

