



Learn-AT

Learning ~ Fellowship

Reserves Policy

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Please note that this policy supersedes and replaces any equivalent policies or sections of policies. This policy is non contractual and can therefore be amended without consultation. Before you use this policy, please check you have the latest version using the footer reference and Learn-AT Policy Index.

This policy applies to all Learn Academies Trust schools and should be read in conjunction with the latest associated guidance issued by Learn-AT.

1. Definitions

What Reserves Are For

- 1.1. Reserves are funds that are set aside for a future use. Reserves will generally be split into two categories; (i) income funds that are freely available for general purposes (generally known as unrestricted reserves) and (ii) other funds designated for specific purposes (generally known as restricted reserves).

How Reserves Are Calculated

- 1.2. Reserves will be allocated in the accounting system either to an Academy or to the Trust. These reserves will be added together to determine the total reserves of the Trust. The accruals basis of accounting will be used to measure reserves and will be audited and reported upon in the Annual Report and Financial Statements.

1.3. Types Of Reserves

- a. Operating reserve –to provide a small fund enabling Academies to manage fluctuations in “normal’ operating income and expenditure
- b. Strategic Protection Reserve –to provide a fund that protects the Academies and Trust from significant unforeseen negative financial incidents
- c. Investment Reserve – to provide for specific investments projects in the Trust's operation or one or more of the Academies
- d. Other accounting reserves (Fixed Assets and Pension Fund Reserves)

2. Policy

2.1. Operating Reserve

- 2.1.1. Utilisation of the Operating Reserve will be at the discretion of the Academy.
- 2.1.2. The Operating Reserve should always be always positive and generally more than 1% and less than 3% of current year GAG income.
- 2.1.3. The Operating Reserve will be measured and reported at the end of each financial quarter (allowing some fluctuation in a quarter).
- 2.1.4. Where an Academy's operating reserve falls outside of the parameters in 2.1.2 the Trust will carry out a review and develop a plan with the Academy to bring the reserve into line with the required parameters.
- 2.1.5. Positive reserves remaining at the financial year-end will be carried forward to the following year and can be taken into account when

preparing the Annual Budget of the Academy.

- 2.1.6. The Operating Reserve should not be higher than the guideline maximum of 3% unless for short term purposes agreed in advance specifically with the DFO/CEO.
- 2.1.7. The Operating Reserve will be funded from GAG (restricted) and/or other unrestricted operating income.

2.2. Strategic Protection Reserve

- 2.2.1. Utilisation of the Strategic Protection Reserve will require prior approval by Trustees.
- 2.2.2. Where a significant unforeseen expenditure by an Academy exceeds the Strategic Protection Reserve of the Academy, the Trustees will consider whether a permanent or temporary transfer of reserve from other Academies is required to fund the expenditure. The Academies will be consulted but the final decision will rest with the Trustees.
- 2.2.3. A Target Reserve Level will be determined by the Trust and reviewed annually by the Trustees, or more frequently if it is determined to be necessary.
- 2.2.4. The Target Reserve Level is set at 5% of GAG.
- 2.2.5. Additional amounts of Strategic Protection Reserve may occasionally be required for specific contingencies and will be decided on a case by case basis by the Trustees.
- 2.2.6. This reserve will normally be funded out of GAG (restricted) or other unrestricted 'ring fenced sources' if available.
- 2.2.7. Where an Academy does not meet the Target Reserve Level, the DFO, in consultation with the Academy Head and CEO, will have the authority to allocate specific 'Ring fenced sources' to the Strategic Protection Reserve for that Academy. 'Ring Fenced Sources' will usually arise from unbudgeted cost savings or unbudgeted unrestricted income.

2.3. Investment Reserve

- 2.3.1. This will be to fund specific capital expenditure or other investments that would usually not be affordable if financed from a single year's funding
- 2.3.2. This reserve will be funded by either;
 - Unrestricted revenue income or;
 - From a third party to finance a specific project (Restricted Investment Reserve).
- 2.3.3. Utilisation of Restricted Investment Reserve will be strictly in accordance with the terms upon which the funds were granted by the third party
- 2.3.4. Unrestricted Investment Reserve will be utilised for the purpose for which it was originally established. Any other purpose will require the prior approval of the CEO and DFO.

2.4. Other reserves required by UK accounting rules

- 2.4.1. These are other additional reserves required by UK Charity Statements of Recommended Practice (SORP), or the Academy Accounts Direction (AAD) which is issued annually by the EFSA.
- 2.4.2. Pension Fund Reserve –This represents the surplus or deficit on a defined benefit pension scheme and is a restricted fund. When an academy recognises a pension surplus (an asset) or a deficit (a liability) this will result in the creation of a pension reserve and any pension liability (representing a deficit in the pension scheme) will be shown as a negative in the pension reserve.
- 2.4.3. Fixed Asset Reserve – According to UK accounting rules, the Trust is required to record a reserve equivalent to the net book value of fixed assets acquired using funding received for the specific purpose of fixed assets. The majority of this fund will be from government funds, but can include other funds from a sponsor or other donations.

3. Review And Approval

- 3.1. This Policy will be reviewed by the Finance Committee on a 3 yearly cycle and approved by Trustees.