



# **The Futures Trust Reserves Policy 2023**

<p><b>Reviewed by: Trust Finance Director</b></p> <p><b>Agreed by Trustees: 6 December 2023</b></p> <p><b>Date of Next Review: December 2024</b></p>
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# Contents

1. Introduction
2. Relationship between the Trust and its schools
3. Policy

## 1. Introduction

- 1.1 The Board of Trustees is able to hold reserves to further the Trust's charitable aims. The ESFA (Education and Skills Funding Agency) previously set limits on the amount of GAG (General Annual Grant) that could be carried forward by Trusts from year-to-year. These limits have now been removed. The ESFA Academy Trust Handbook notes that Trusts should use their allocated GAG funding for the full benefit of their current pupils. If a Trust has a substantial surplus they should have a clear plan for how it will be used to benefit pupils.
- 1.2 The Trust's funds are nominally allocated to individual schools within the Trust, excluding the restricted fixed asset fund and the pension reserve. However, there is no central endowment and all funds held by the Trust are contributed by the schools within the Trust. Therefore, should a school go into deficit, it is effectively being funded by all other schools within the Trust.
- 1.3 Reserves transferred in upon conversion, are designated for use so far as possible by the academy which generated them.

## 2. Relationship between the Trust and its schools

- 2.1 Trustees are mindful of the Academy Trust Handbook and requirement that GAG funding should be spent on current pupils.
- 2.2 However, trustees are also aware of significant volatility in the funding of education. As an independent academy Trust, the Board of Trustees is responsible for managing the fluctuations in financial fortunes.

2.3 Individual schools within the Trust are expected to propose a budget each year using the GAG and other grants reasonably foreseen and matching expenditure to that income.

2.4 Should an individual school in the Trust go into a deficit (negative fund balance) at the end of a year, the Headteacher must enter into a recovery plan that repays the deficit over not more than 5 years. In the event that the recovery plan is not in place or is not kept to, trustees will act to return the school to financial stability.

2.5 Reserves at the end of each year are generally held in support of:

- Contribution to capital projects planned or in development
- Financial commitments made but not yet come to fruition
- Investment in future educational initiatives
- Cashflow requirement
- Contingency against unforeseen events
- School Fund balances
- Capital Fund balances

2.6 The Headteacher can ask the Accounting Officer each year for access to their agreed reserves for one of these specific events, but it is up to the Accounting Officer whether they allow access to the individual school reserves as they have the responsibility of securing the financial stability of the Trust as a whole.

2.7 Balances held in respect of Voluntary School Funds can be spent by the Headteacher without needing to be referred to the Accounting Officer. This is because these balances are built up solely by fundraising or charitable donation and can only be spent locally. Similarly balances held by the school in respect of capital funds can be spent by the Headteacher in subsequent years without needing to be referred to the Accounting Officer. This is because capital allocations are typically made late in the year (June) and are often carried forwards.

### **3. Policy**

3.1 Trustees wish to target a level of reserves for each school and in total across the Trust that equates to the sum of:

- Planned or anticipated future commitments to capital projects
- Financial commitments made but not yet entered into
- Planned investment in educational initiatives
- Salary and related costs of £1,500,000 to cover cashflow and contingency requirements

3.2 Progress against these measures will be reviewed on a termly basis.