

## **HADRIAN LEARNING TRUST**

### **RESERVES POLICY**

#### **INTRODUCTION**

1. 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.
2. The policy takes into account the Academies Financial Handbook and guidance from the Charity Commission.

#### **LEVEL OF RESERVES**

3. 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 £700k. 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.
4. Currently, the reserves would not be sufficient to meet this commitment without it being financially constraining to the schools, as there was a deficit balance on conversion to academy status. However, this is not considered to cause undue concern as cash balances held are typically in excess of this amount at the current time.
5. Trustees have therefore decided that once this deficit has been repaid, the reserves will be grown at a rate of at least half a week per year.
6. In addition, once the reserves level in paragraph 3 has been achieved, HLT will seek to build up further free reserves in order to provide 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.
7. 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**

8. 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.*

9. 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**

10. The Business Manager 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 termly intervals so that Trustees are able to keep the reserves level under review.
11. The reserves policy will be reviewed by the Finance and Audit Committee on an annual basis to ensure continuing appropriateness.