**The Rutland Learning Trust**

Providingoutstanding education for all pupils – today and tomorrow!

*World-class education and care that allows every child to achieve their potential, regardless of location, prior attainment or background.*

**By………………**

**Working Together**

**Sustaining Excellence**

**Transforming Learning**

 **Reserves Policy 2018**

 ****

**WHY IS THIS POLICY REQUIRED:**

Statutory compliance

**WHAT CHANGES HAVE BEEN MADE:**

**Context page 1 – RLT still in infancy**

**Reserves amount increased**

**WHAT IS THE IMPACT OF THIS POLICY:**

**Guidance**

**DATE: February 2018**

**REVIEW DATE: February 2019**

An academy is an exempt charity, regulated by the DFE. In line with Charity Commission Guidance, The Education Funding Agency (EFA) expects academy trusts to have a reserves policy.

However, regardless of the regulatory requirement, establishing reserves that protect the operation of the Trust and contribute to its smooth running is good practice and forms part of its overall financial control and governance framework.

**Considerations when determining the level of reserves**

When considering an appropriate level of reserves, the trustees consider:

**Future Plans**

* Major capital projects
* Investment in Teaching & Learning
* Strategic Intent Implications – e.g. Growth Plan

**Uncertainty**

* A large proportion of the income and expenditure is predictable. This reduces but does not eliminate the need to hold reserves for working capital, cash flow and uncertainties.
* Reference should be made to the risk register for review of the likelihood of certain financial uncertainties and their potential impact plus the measures in place to negate them. E.g.
	+ Covering unforeseen day-to-day operational costs, for example employing temporary staff to cover a long-term sick absence
	+ A fall in a source of income, such as lettings
	+ Fall in pupil numbers
	+ Unexpected additional costs – e.g. legal

**Funds Management**

* Next year’s budget
* Working capital and cash flow requirements
* Maintenance and ongoing capital investment

**Context**

* The RLT is still in its infancy and is still bearing the costs of establishing an infrastructure suitable for the planned growth.
* It is made up of small rural primary schools set in affluent locations and as a consequence is poorly funded due to the needs driven funding system. Consequently, budgets have limited flexibility.
* Teaching and learning is at the heart of everything we do and also the driver for the growth plan.
* Being part of a MAT reduces the ‘net’ financial uncertainty across the Trust

Given our context our level of reserves will be low at the early stages of our growth in order to maintain the required level of outcomes in teaching and learning.

**Level of reserves**

The Rutland Learning Trust has decided that the reserves level for the financial year 2017/18 will be £180,000 based on analysis of the points above. The level of reserve will be reviewed and set on an annual basis as part of the budget setting plan. Over the next three years in line with the Trusts growth plan the level of reserves is planned to increase as the benefits of economies of scale and efficiencies savings are realised.

**Reporting to Trustees**

The reports will:

* Compare the amount of reserves held with the target amount set for reserves and explain any shortfall or excess in reserves against target set
* Explain any action being taken or planned to bring reserves into line with target

**Annual financial statements**

The reserves policy disclosed in the Trustees report will include the following information:

* Why reserves are held
* What amount of reserves is considered appropriate for the academy trust
* What the level of reserves is at the year end
* How the academy trust is going to achieve the desired level or range of reserves?
* How often the reserves policy is reviewed.
* Target range of reserves for the financial year

**Reviewing**

The CFO and Trustees will carry out a review of this policy annually to ensure it reflects the RLT’s current situation and that any new or changed legislation is adhered to.

Next board of trustees review due: March 2019.

Date: 29/3/18