



Reserves Policy 2023 – 2024

(Version 1. Rev 3 Apr 23)

Adopted by The Hawksmoor Learning Trust	Signature	
	Print Name	
	Date	
	On behalf of the Hawksmoor Learning Trust	

The Hawksmoor Learning Trust

Introduction

1. The Hawksmoor Learning Trust (the Trust) is committed to ensuring financial stability and aims to protect its activities by;
 - 1.a. providing a financial comfort zone in an unpredictable financial environment and
 - 1.b. making sufficient provision for;
 - 1.b.i. future cash flow requirements and
 - 1.b.ii. capital repair, improvement or procurement.
2. The development of an effective Reserves Policy will;
 - 2.a. restrict the impact of any risk upon the continuing operations of the Trust and
 - 2.b. provide the framework for future strategic planning and decision-making.

Scope

3. This policy;
 - 3.a. relates to all schools and settings across the Trust and
 - 3.b. supersedes any local policies and procedures that have been in use prior to the academy conversion.

Types of Reserves

4. Unrestricted Reserves

- 4.a. Unrestricted Reserves (including Designated Reserves) are derived from income funds, grants or donations that can be spent at the discretion of the Trust in furtherance of any of the Trust's objectives.
- 4.b. If part of an unrestricted income fund is earmarked for a particular project it may be 'Designated' as a separate fund.
- 4.c. Designation has an administrative purpose only and does not restrict the Trust's discretion to spend the fund.
- 4.d. Unrestricted Reserves will be achieved through non-government activities eg commercial and trading activities undertaken by the Trust.

Restricted Reserves

5. Restricted Reserves may be;
 - 5.a. restricted income funds, grants or donations that are spent at the discretion of the Trust in furtherance of some particular aspect of the objects of the Trust,
 - 5.b. restricted where the nature of expenditure has been defined by the donor or
 - 5.c. endowment funds, where the funds or assets are required to be invested or retained for actual use, rather than spent.
6. Restricted Reserves are represented by the main income for each school which is the General Annual Grant (GAG), other grant contributions or donations that are received for a specific project

or purpose. These funds are restricted for the use according to the funding agreements or donation instructions.

7. Restricted Reserves are only available for expenditure;
 - 7.a. once the Trust has met its commitments & other planned expenditure and
 - 7.b. in accordance with the limitations outlined in the original funding.

Designated Reserves.

8. Designated Reserves are reserves that have been set aside at the discretion of the Directors in furtherance of any of the Trust’s objectives.
9. Where a designation has been identified, the purpose and timing of any expenditure must be recorded in the appropriate Trust Committee Minutes.
10. The level for any Designated Reserve will be determined by the nature of the designation itself; the reserves will be derived from unrestricted and restricted funds as appropriate / applicable.

Pension Reserve

11. The presence of a pension surplus or deficit does not;
 - 11.a. constitute an immediate liability or realisable asset and
 - 11.b. mean that the equivalent amount is already committed or no longer available to the Trust.
12. The presence of a pension surplus or deficit will generally result in a cash flow effect for the Trust in the form of an increase or decrease in employers’ pension contributions over a period of years.
13. The Trust;
 - 13.a. is confident that it can meet the required pension contributions from projected future income without significantly impacting upon its planned level of activities and
 - 13.b. will calculate its reserves without setting aside a Designated Reserve to cover the pension liability.

Management of Reserves

14. Reserves will be reviewed, at least annually, by the Trust and an appropriate range of options will be considered which might include;
 - 14.a. releasing the funds into the revenue budget for a specific purpose in furtherance of the Trust's objectives,
 - 14.b. assigning funds to appropriate designated reserves as may be determined by the Trust or
 - 14.c. investing the funds to generate further income to allow expansion of the Trust’s work.
15. The movement of funds to and from the reserves will be at the discretion of the Trust, or the appropriate sub-committee where delegated authority has been provided by the Trust, subject to the restrictions which will remain attached to Restricted Funds (Revenue and Capital) and their use.

Revenue Funding

- 16. Using the Trust reserves to ensure a balanced revenue budget is not appropriate or financially sustainable and must be avoided if at all possible.

Use of Reserves

- 17. Authorisation to use reserves of any kind will only be made by the Trust who are responsible for ensuring that the funds are;
 - 17.a. maintained and
 - 17.b. used only as described in this policy.

Reserves Calculation (FY 23 / 24)

- 18. **Assumptions.** Assumptions informing the level of reserves include.
 - 18.a. Each year, the Trust will set an annual balanced revenue budget.
 - 18.b. Central GAG funding will be made on a regular basis.
 - 18.c. Changes in GAG Funding will be notified well in advance.
 - 18.d. Pupil related lag funding will allow the impact of variations in pupil related funding to be identified and mitigated.
 - 18.e. Pay and professional progression are in line with the budget figures.
- 19. **Risks.** The key financial risks considered include, but are not limited to:
 - 19.a. Loss of non-governmental income from lettings and other commercial activities.
 - 19.b. Cessation of specific governmental funding streams eg Sports Funding.
 - 19.c. Increased expenditure to cover unforeseen costs eg staff absences, professional inputs, premises adjustments.
 - 19.d. COVID related costs not covered from Central Government resources.

20. Discussion

- 20.a. **Restricted Funds.** The nature of Restricted Funds indicates that 100% of Restricted Funds must be held until utilised for the purpose for which they were provided.
- 20.b. **Unrestricted Reserves.**
 - 20.b.i. **Commercial activity.**
 - Before Covid, commercial Activity accounted for approx. £100,000 or 2.0% of income.
 - It is felt that in the near future this will be heavily depleted by post Covid activity with limited opportunities to effect commensurate savings in a tight time frame.
 - **Recommendation.** It is recommended that the Trust retains ½ of 12 months of commercial income as a buffer until such time as income recovers and / or savings can be enacted. **£50,000.**

20.b.ii. **Staffing Costs.**

- The Trust has, traditionally, been able to cover staff absence by utilising other staff.
- Given the current level of medical risk, it is felt prudent to retain sufficient funds to allow for a cover teachers in each school as shown below:

BLPS	1 @ £50,000	£ 50,000
MWPS	1 @ £50,000	£ 50,000
NHPS	1 @ £50,000	£ 50,000
TRPS	1 @ £50,000	£ 50,000

Total **£200,000**

20.b.iii. **Premises Repairs: Major Equipment Failure.**

- Whilst it is accepted that the Trust’s premises assets are in reasonable condition, the catastrophic failure of a major piece of equipment eg boiler may cause severe disruption.
- It is recommended that sufficient reserves are retained to cover such an eventuality. **£50,000**

20.b.iv. **Emergency / Disaster Funding. As per THLT Business Continuity Plan.**

£25,000

Conclusion.

21. It is recommended that the minimum level of restricted and unrestricted reserves for the FY 23 / 24 and the following two years should be: **£325,000.**

Recommended by:

Jonathan Davis MBE LLB (Hons)
Finance Director

Date: 3 Apr 23

Agreed, adopted and recorded in the minutes t.he Trust Board Meeting held on: