

Reserves Policy

Approval Arrangements

All statutory policies in the Trust are ultimately the responsibility of the Trust Board. To enable it to discharge this responsibility appropriately and in collaboration with the constituent schools, the Trust Board will

1. set a full Trust wide policy which applies in the same way to all schools,
2. require individual schools to set a policy (in most cases with Trust-provided guidance) appropriate to the needs and circumstances of an individual school

This is a level 1 policy against the Trust Governance Plan and supersedes any previous version.

Approval Body:	Board of Trustees
Date Approved:	12/05/2025
Author:	CFO
Next review:	May 2028
Review period:	3 years
Version:	1.3

1. Aims

The vision of the Tenax Schools Trust (The Trust) is to achieve excellence by working together so that all may feel loved and empowered to serve a thriving society. We are committed to education providing life changing transformative opportunities.

The Trust has established a reserves policy to protect its activities by providing financial resilience, and to make sufficient provision for future cash flow requirements and capital investment. The policy also provides the framework for future strategic planning and decision-making. The development and implementation of an effective reserves policy will minimise the impact of any financial risk upon the continuing operations of the Trust.

The policy is based upon an assessment of the internal and external operating environment, extant regulatory body guidance and the nature of activities undertaken by the Trust.

2. Definitions

Revenue income: Includes all sources of income that are reported within the Unrestricted and Restricted Funds, and any amounts of capital funding used for revenue purposes.

In-year revenue surplus: The in-year surplus generated on the Unrestricted and Restricted Funds, and any amounts of capital funding used for revenue purposes, but excluding Pension Funds.

In-year revenue deficit: The in-year deficit generated on the Unrestricted and Restricted Funds, and any amounts of capital funding used for revenue purposes, but excluding Pension Funds.

Surplus revenue: The overall surplus position on the Unrestricted and balance: Restricted Funds, including the pooled funds and any amounts of capital funding used for revenue purposes, but excluding the Pension Fund.

Deficit revenue balance: The overall deficit position on the Unrestricted and Restricted Funds, including the pooled funds and any amounts of capital funding used for revenue purposes, but excluding the Pension Fund.

3. Types of Reserve

Unrestricted General Funds

Unrestricted General Funds (including Designated Reserves) are derived from income funds, grants or donations. They are available for general use and can be spent in furtherance of any of the Trust's objectives.

If part of an unrestricted general fund is earmarked for a particular project it may be designated as a separate fund, but the designation has an administrative purpose only, and does not legally restrict the Trust's discretion to spend the fund. Unrestricted Reserves will be achieved through operational efficiencies and any trading activities undertaken by the Trust.

Restricted General Funds

Restricted General Funds are derived from restricted income funds, grants or donations. These funds remain restricted in accordance with the conditions of funding or grant, and the Trust must ensure that they use these funds with propriety and regularity. Restricted General Funds have to be spent in

furtherance of some particular aspect(s) of the objects of the Trust in accordance with the conditions of funding or grant from which they have been derived.

Restricted Fixed Asset Funds

Restricted Fixed Asset Funds represent the total amount carried forward from restricted funding received for fixed assets in use on an ongoing basis (as the carrying or net book value which includes any depreciation). It will predominately be derived from government funds but may include other funds from a sponsor, a local authority or other donations, as well as any unspent capital funds.

Restricted Fixed Asset Funds generally comprise the following items:

- a) The net book value of fixed assets as per the Trust balance sheet
- b) The cumulative balance of unspent capital funds
- c) The outstanding balance of any loans e.g. CIF, Salix etc that have been utilised to fund capital expenditure

Designated Funds

Designated Funds are reserves that have been set aside at the discretion of the Trust in furtherance of any of the Trust's objectives. Where a designation has been identified, the purpose and timing of any expenditure must be explained.

The target range for any Designated Fund will be determined by the nature of the designation itself; and the fund will be derived from unrestricted and restricted funds where applicable.

Pension Reserve

The risks surrounding the Trust's pension liability should be taken into consideration when calculating target reserve balances. The presence of a pension surplus or deficit does not constitute an immediate liability or realisable asset and does not mean that the equivalent amount is already committed or no longer available to the Trust.

The presence of a pension surplus or deficit will generally result in a cash flow effect for the Trust in the form of a future increase or decrease in employers' pension contributions over a period of years.

In line with sector norms the Trust continues to establish its reserves policy without setting aside a designated reserve to cover the pension liability.

4. Requirement of reserves

Reserves can be held for a range of reasons, including risk management. For example:

- Cashflow – enabling the Trust to manage fluctuations in income by ensuring sufficient cash is available to pay bills and expenditure items as they fall due.

For example, capital projects may have different payment profiles for capital income and associated expenditure, and so may have more call for available cash to pay invoices before capital income is received.
- Minimum trust reserves - setting aside a contingency amount to cover any unforeseen issues or extra costs in-year. This could be to balance budgets where in-year expenditure exceeds income.
- Building/estates/non-building capital projects – growing reserves to enable maintenance, development, and improvement of the Trust's infrastructure to deliver its capital and estates strategy. This could also include significant investment in the curriculum, IT or digital strategies.

- Development and growth – providing for the Trust’s financial health. This could include preparing for new schools to join the trust, for existing schools to expand, training for staff or investing in the central services of the trust to improve delivery or increase capacity.
- Future change and uncertainty – planning for a period of reduced pupil numbers or covering unexpected costs to ensure the Trust’s overall budget is balanced.

5. Pooling of reserves

The Trust will pool all reserves (restricted and unrestricted funds) of its schools. Pooling of reserves provides greater resilience for the schools within the Trust, and enables the Trust to operate as a single consolidated entity.

6. Target Level of reserves

A target level of reserves is usually expressed as a percentage of annual revenue income. Trusts that hold reserves below 5% of income could be considered to be vulnerable. Under current DfE guidance Trusts that hold reserves above 20% of income have to provide an explanation for holding such large reserves, which could be for future capital investment.

In light of the above the Trust considers a target reserve level of 10% of annual revenue income to be reasonable. Performance against this target will be monitored on a regular basis.

Reserves held in excess of the target percentage will be reviewed by the Executive Team & Board (via the Finance, Audit & Risk committee), on a regular basis and an appropriate range of options will be considered which might include:

- earmarking funds for capital investment
- assigning funds to appropriate designated reserves as may be determined by the Trust;
- investing the funds to generate further income to allow expansion of the Trust’s work;
- releasing the funds into the revenue income budget for the forthcoming academic year (in furtherance of the Trust's objectives);
- maintaining reserves above the target level to mitigate against funding pressures and challenges

7. Access to reserves

In order to manage the effective use of reserve spending, the Board of Trustees has agreed a process for accessing reserves (Appendix A) with a business case template to be completed (Appendix B).

8. Maintaining the reserves balance

It is expected that all Academies within the Trust will set a balanced budget for the year. Whilst the Trust will not maintain levels of reserves that are excessive compared with total income levels, there is a need to maintain reserves at a target level of 10% to ensure that reserves are available for future projects. A reserves contribution may be applied annually to each Academy budget to maintain Trust reserves. This will be agreed by Trustees annually as part of the budgeting process.

Any pre-approved budget deficit in the Trust central budget or Academy budget at the end of the financial year will be offset against the Trust Reserves Fund. The actual reported end of year deficit will be reviewed by the CEO and CFO, in conjunction with the Headteacher, to ensure that the deficit is in line with expectations and conditions set out at the point the deficit was approved. Any unapproved

deficit in the Trust central budget or Academy budget at the end of the financial year will be reviewed by the CEO and CFO, in conjunction with Trustees, who will have the discretion to reclaim the overspend, wholly or partly, from the next years' budget if required.

9. Schools joining the Trust

For schools transferring into the Trust, all funds (surplus or deficit) relating to income streams that form part of the reserves identified in Section 3 will be pooled, unless specifically agreed as part of the conversion or transfer process (e.g. the Trust agrees to use part of the surplus reserves to fund a particular project after conversion or transfer).

10. Schools leaving the Trust

For schools whose reserves have been pooled, the Trust is unable to separately identify the portion of reserves generated by each school/academy. When a school leaves the Trust there will be no transfer of funds from the Trust to the school or another trust in respect of the transferring entity. Conversely the Trust will not seek to recoup funds from the entity that the school has transferred into.

Reserves Access

In order to manage the effective use of reserve spending, the Board of Trustees need access arrangements that:

- Can be applied consistently and equitably
- Enable the reserves to be used for strategic priorities
- Allow the executive team to respond to operational emergencies in an agile manner

Budget setting

- The vast majority of reserves spending should be pre-planned and strategic. As a result, most spend should be allocated at the time of setting revenue and/or capital budgets for the year ahead

Revenue expenditure

- All reserve access, including those to support any in-year revenue deficit, need be accompanied by a business case (Appendix B)
- Executive (CFO & CEO) support is needed before any school level proposal is presented to the Board
- Executive (CEO/CFO) access to pooled reserves, for example to enhance central capacity, will require Board approval via a business case

Capital expenditure

- Enhancing the conditions of our estate is a key function of our reserves. The Trust has a separate agreed policy for allocating the Trust's School Capital Allocation (SCA) and use of school's Devolved Formula Capital (DFC).

Emergency spend

- There may be unforeseen circumstances, where access to reserves is instantly required for emergencies, for example Health and Safety or compliance matters.
- In these circumstances, and in line with the Trust's financial delegations,
 - The CEO and CFO will document their thinking and decisions
 - The Chair of Trustees will be advised
 - The Board will be appraised at the next scheduled meeting

Reserve Access Request

Budget: **School Name (revenue/capital)**

Additional spend required:

- £k

Rationale:

-

Risk of re-occurrence:

-

TST's

Request as % of reserves:

Impact:

Reserves
position:

Headteacher:

CFO:

Approve/decline

CEO:

Approve/decline