



PROSPER
LEARNING TRUST

Reserves Policy

Policy reviewed and adopted by Trustees	December 2020
Version	3
Review frequency	3 yearly
Date of next review	December 2023
Responsible Officer	Director of Finance and Operations

Introduction

1. There are a number of constraints placed upon academies in terms of financial management. One of these constraints is the inability to borrow funds. This constraint represents a key risk to PROSPER Learning Trust in relation to financial planning and monitoring.
2. One of the ways in which the Trust mitigates this risk is through the effective management of reserves, which provide alternative temporary funding streams should there be a delay in grant receipts or a sudden unforeseen increase in expenditure.
3. Setting a reserves policy helps inform the way in which the Trust manages its cash, liquid assets and debt.

Level of Reserves

4. The financial risks have been reviewed in terms of impact and likelihood as part of the strategic risk management process. The main financial risk to the Academy Trust is that of managing its short-term cash flow effectively.

The major financial risks that the trust is facing at present is the uncertainty around SEN funding, viability of small units, future pay awards and accommodation issues for provisions currently in temporary accommodation.

To mitigate this risk it has been agreed that an appropriate minimum group reserves balance would equate to between 5% to 10% of annual recurrent income.

5. Reserve balances may be permitted to rise above the 10% limit where there are times of global uncertainty, such as pandemic situations or force majeure situations. This exception is intended to ensure that value for money activities are undertaken without timelines being a critical factor.
6. Individual academies may retain a maximum of 3% of recurrent funding to apply, subject to budgetary approval, to future projects and programs. Surpluses in excess of 3% will be administered by the Trust and be available for academies within the Trust to bid for projects and programs.

Restrictions

7. The DfE are able set limits on the sum of the General Annual Grant that can be carried forward from one year to the next. There are currently no limits in place as at November 2020.
 8. The DfE does expect Academy Trusts to use their allocated funding for the full benefit of their current pupils. Therefore, the Academy Trust will not build up a substantial surplus without having in place a clear plan for how it will be used to benefit our pupils.
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