



INSPIRING EXCELLENCE TOGETHER

The Children First Learning Partnership Reserves Policy

(Version 5)

The Reserves Policy in respect of the Children First Learning Partnership has been discussed and adopted by the Directors Board

Chair of Board:

Mrs N. Chell

Responsible Officer:

CEO – Mrs A Rourke

Agreed and ratified by the Directors Board

18.03.2024

To be reviewed:

March 2025

1. Introduction

The Board of Directors is able to hold reserves to further the Trust's charitable aims. The Education and Skills Funding Agency (ESFA) previously set limits on the amount of General Annual Grant (GAG) that could be carried forward by Trusts from year to year. These limits have now been removed.

The ESFA Academy trust Handbook notes that Trusts should use their allocated GAG funding for the full benefit of their current pupils. If a Trust has a substantial surplus they should have a clear plan for how it will be used to benefit pupils. The Trust's funds are allocated to individual schools within the Trust, excluding the restricted fixed asset fund and the pension reserve. However, there is only a minimal specific Trust reserves and therefore the majority of funds held by the Trust are contributed by the schools within it. Therefore, should a school go into deficit, it is effectively being funded by all other schools within the Trust.

2. Types of Reserves

2.1. Unrestricted Reserves

2.1.1. Unrestricted Reserves (including Designated Reserves) are derived from income funds, grants or donations that can be spent at the discretion of the directors in furtherance of any of the MAT's objectives.

2.1.2. If part of an unrestricted income 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 directors' discretion to spend the fund. Unrestricted Reserves will be achieved through operational efficiencies and any trading activities undertaken by the MAT.

2.1.3. Unrestricted Reserves are generally defined as funds held after excluding:

- Endowment funds (permanent & expendable); Restricted funds; and
- Funds that can only be generated on the sale of fixed assets used for charitable purposes.

2.1.4. The cumulative target range for Unrestricted Reserves has been established at between 8% and 10% of unrestricted income for each financial year.

2.2. Restricted Reserves

2.2.1. Restricted Reserves (including Designated Reserves) may be restricted income funds, grants or donations that are spent at the discretion of the directors in furtherance of some particular aspect(s) of the objects of the MAT; or where the nature of expenditure has been defined by the donor; or they may be endowment funds, where the funds or assets are required to be invested or retained for actual use, rather than spent.

2.2.2. Restricted Reserves are only available for expenditure once the MAT has met its commitments and other planned expenditure and is in accordance with the limitations outlined in the original funding. The cumulative target range for Restricted Reserves (Revenue) has been established at between 2% and 5% for each financial year, excluding the impact of the Pension Deficit/Surplus.

2.2.3. Restricted Reserves also are inclusive of capital items and are defined as Restricted Fixed Asset Reserves. This reserve is specifically held for capital purposes in furtherance of some particular aspect of the objectives of the Children First Learning Partnership. The cumulative target range for all Restricted Reserves has been established at between 2% and 5% for each financial year.

2.2.4. All Restricted Reserves will be generated through improved operational efficiencies and effective manpower planning and resourcing in addition to a proactive programme to identify relevant sources of grant funding.

2.3. Designated Reserves

2.3.1. Designated Reserves are reserves that have been set aside at the discretion of the Directors in furtherance of any of the MAT's objectives and will be after the consideration of the unrestricted and restricted reserves as defined above. Where a designation has been identified, the purpose and timing of any expenditure must be explained clearly to all schools within the Children First Learning Partnership and a bidding process take place to ascertain the anticipated impact and level of resourcing required.

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

2.4. Pension Reserve

2.4.1 The risks surrounding the MAT's pension liability have been taken into consideration when calculating the target ranges. 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 MAT.

2.4. 2 The presence of a pension surplus or deficit will generally result in a cash flow effect for the MAT in the form of an increase or decrease in employers' pension contributions over a period of years. The MAT is confident that it can meet the required pension contributions from projected future income without significantly impacting upon its planned level of activities.

2.4.3. The MAT continues to calculate its reserves without setting aside a Designated Reserve to cover the pension liability.

3. Relationship between the Trust and its schools

Directors are mindful of the Academy Trust Handbook and the requirement that GAG funding should be spent on current pupils. However, Directors are also aware of significant volatility in the funding of education. As an independent Multi Academy Trust, the Board of Directors is responsible for managing the fluctuations in financial fortunes. Individual schools within the Trust are expected to set a budget each year using the GAG and other grants/income reasonably foreseen and match expenditure to that income. If the Local Advisory Board (LAB) have a specific reason to budget for an in-year deficit, approval must be sought from the CEO/ CFO / Directors. This is on the understanding that they have reserves in place to cover the deficit. Should an individual school in the Trust foresee an overall deficit at the end of a year then this would need

to be approved by the Directors, along with a recovery plan. MAT Reserves at the end of each year are generally held in support of:

- Contribution to capital projects planned or in development (e.g. Extension to School Hall)
- Anticipated downward movements in pupil numbers (e.g. low cohort going through all school years)
- Financial commitments made but not yet come to fruition (e.g. IT Infrastructure work)
- Investment in future educational initiatives (e.g. Targeting improvement in a specific area)
- Cash flow requirement (e.g. Due to lagged funding such as Pupil Premium)
- Setting aside funds for a forthcoming change in legislation (e.g. National Insurance Contributions)
- Financial pressures outside of Trust control (e.g. LGPS Employer Contribution Rates)

4 Monitoring of Reserves

4.1.1 The Directors are responsible for ensuring that the Trust's reserves are maintained and are used only as described in this policy.

4.1.2 The Directors will be responsible for identifying:

- When reserves are drawn on, so that they understand the reasons for this and can consider what corrective action, if any, needs to be taken;
- When reserve levels rise significantly above the target amount or range, so that they understand the reasons and can consider the corrective action, if any, that needs to be taken; and
- Where the reserves level is below the target amount or range, so they can consider whether this is due to short-term circumstance or longer term reasons which might trigger a broader review of finances and reserves. The Children First Learning Partnership's Chief Finance Officer will regularly monitor the Trust's reserves and will report to the Children First School's Finance Audit Resource and Risk Committee and Directors accordingly. The reports to be provided to the Finance Audit Resource and Risk Committee and Directors will include:
 - A comparison of the amount of reserves held with the target amount or target range set for reserves;
 - An explanation of any shortfall or excess in reserves against the target amount or range; and
 - An explanation of any action being taken or planned to bring reserves in line with the target amount or range.

5 Approval of the Use of Reserves

5.1.1 The appropriate level of reserves or range of reserves for the MAT will be reviewed and set by the Directors on an annual basis as part of the Children First Learning Partnership's annual budget setting process, and by reference to its Strategic Plan. Any recommendations to utilise reserves of any kind, whether as part of the annual budget setting process or whether as part of an in year budget adjustment or internal bidding process, will be made by the Finance Audit Resource and Risk Committee, with formal approval and authorisation being made by the Board

of Directors in line with the Children First Learning Partnership Scheme of Delegation . All recommendations and approvals should be formally noted in the minutes of the relevant meetings.

5.1.2 Review of this Policy. The Board of Directors through its Finance Audit Resource and Risk Committee will review this policy every year. It may however review this policy earlier than this if the government produces new regulations, or if it receives recommendations on how this policy might be improved.

Version Control:

Version	Date	Amendment	By
V2	01.03.2021	Name of chair changed to Mrs N. Chell (Front cover)	CEO
V2	01.03.2021	Date of review and ratification changed to 29.03.2021 (Front cover)	CEO
V2	01.03.2021	Page 4 Section 4 4.1.2 added the word risk to the title of the Finance Audit Resource and Risk Committee	CEO
V2	01.03.2021	Page 4 Section 5 5.1.1 added the word risk to the title of the Finance Audit Resource and Risk Committee	CEO
V2	01.03.2021	Page 5 Section 5 5.1.2 added the word risk to the title of the Finance Audit Resource and Risk Committee	CEO
V3	28.02.2022	Review dates amended	CEO
V4	21.02.2023	Review dates amended	CEO
V5	24.01.2024	Review dates amended	CFO
V5	24.01.2024	Throughout Academies Financial Handbook changed to Academy Trust Handbook	CFO