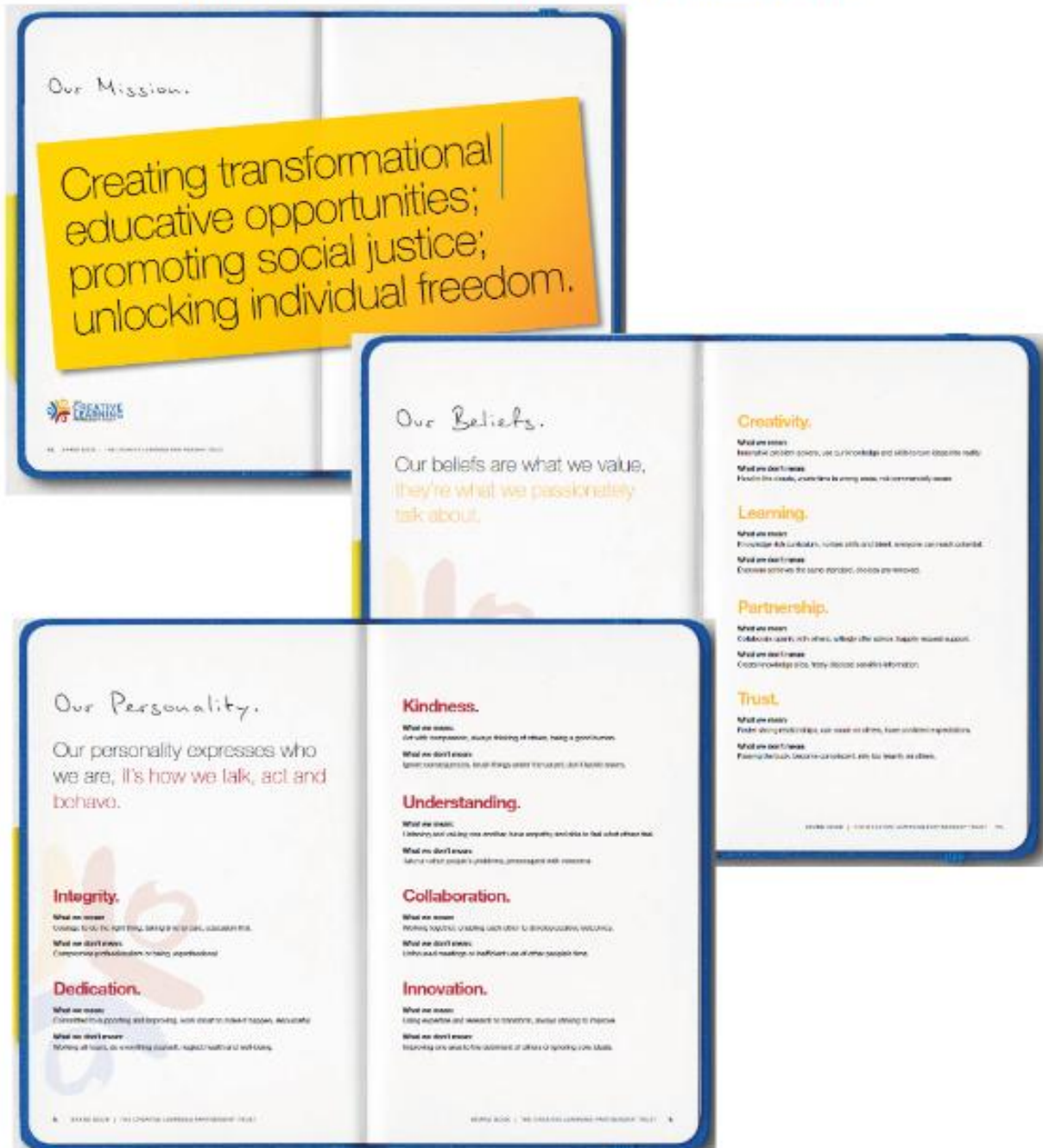




Reserves Policy

Responsible Committee	CLPT Finance & Operations Committee
Date Approved by Committee	3 rd March 2025
Implementation Date	3 rd March 2025
Next Review Date	March 2026
Policy Owner	Kate Hillman, CFO

This Policy has been created in accordance and to support the Mission, Values and Beliefs of The Creative Learning Partnership Trust.



1. Background

The Board of Trustees 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 Academies Trust Handbook states that the *ESFA will report to DfE any trusts where it has serious concerns about a long-term substantial surplus with no clear plans for its use*. Therefore, Trusts should use their allocated GAG funding for the full benefit of their current pupils and if a Trust has a substantial surplus they should have a clear plan for how it will be used to benefit their pupils. This clearly aligns with the Trust's strategic priorities.

Understanding and setting an effective and realistic reserves policy is a key part of the Trust's financial strategy in order to achieve high outcomes and champion moments for all pupils, whilst also ensuring the long term sustainability of the Trust.

2. Rationale

This document establishes a formal approach taken by the Trust to pool restricted and unrestricted reserves, including General Annual Grant (GAG) reserves which is allowable under provisions within the Academy Trust handbook.

Without pooling reserves Trust functionality is limited, as schools with negative reserves would not be able to access required resources.

Pooling reserves simplifies reporting of GAG reserves within various submissions to the ESFA, reporting only the aggregate position, not each school's position. Pooling of GAG reserves relates to only the end of year surpluses and deficits arising; pooling of in year GAG income is not proposed.

3. What are GAG reserves

GAG reserves represent two main elements:

- The difference over time between income and expenditure (excluding capital grants and capital expenditure);
- The impact from balances on conversion of schools transferring into the Trust

These reserves are an aggregation of restricted GAG reserves (can only resource educational spend) and unrestricted (freely available to spend on any of the charity's purposes). In practice, both the Education and Skills Funding Agency (ESFA) and the Trust view these reserves in aggregate.

4. Arrangements on Transfer

Upon joining the Trust, the cumulative GAG reserves associated with the joining school, whether positive or negative, will become part of the Trust's pooled GAG reserve resource and remain so whilst the school is a member of the Trust. Any school's leaving the Trust, their GAG reserves will be deemed to be £nil.

5. Levels of Reserves

A risk-based approach has been taken in respect of setting the target level of reserves taking into consideration:

- Three year budgeting model
- Monthly management accounts
- Monthly review of forecast reserves
- Percentage of core grant funding compared with total income
- Forecast pupil numbers
- Asset Management Plan

In view of the above risk assessment the recommended range for Trust reserves is 5-8% of Total Revenue Income (TRI). These reserves limits take account of the requirements of the Academies Financial Handbook, the Trust's strategic priorities detailed in section 1 and an assessment of the financial risk across the Trust.

The reserves balance will be kept under review and if it is forecast to go below the target range, the top slice percentage and/or use, will be reviewed and used to top up the reserves to the required level within a reasonable time frame. The CEO and Trustees receive monthly management accounts detailing Trust's reserves position.

6. Access to Reserves

Should a school need to access funds from the reserves, a proposal must be submitted to the CEO, detailing the project and giving reasons why it requires priority funding e.g. urgent/planned asset management, improve school outcomes, health and safety issue, to offset reduced GAG funding due to temporary dip in pupil numbers, CIF match funding, etc. The proposal will then be reviewed by the CEO and CFO in conjunction with: Trust strategic objectives; School Improvement Plan; asset management plan; educational outcomes and a RAG rating applied. The CEO/Board of Trustees will approve the use of this reserve in line with the Scheme of Delegation. The Trust Finance Committee will be retrospectively notified of any use of this reserve that has been approved by the CEO.

7. Right of Appeal

The Headteachers/ Executive Headteachers will have the right to appeal directly to the Trust Board if they feel their school has been treated unfairly by the proposed Reserve Pooling policy. If the grievance is not resolved, they can appeal directly to the Secretary of State via the ESFA. Where ESFA receives an appeal, it will review the process that the trust has followed, including whether the trust has considered the funding needs of the constituent school, and whether the trust's internal appeals process has been applied. ESFA will provide the constituent school and the trust with the opportunity to provide any evidence they feel is relevant to the case. ESFA's decision will be final.

A right of appeal mechanism is required under the Academy Trust Handbook and this policy follows the ESFA recommended process.