



Reserves Policy

This policy is applicable to: Wolds Learning Partnership (WLP)

Version 2.0

<p>Important: This document can only be considered valid when viewed on the website. If this document has been printed or saved to another location, you must check that the version number on your copy matches that of the document online.</p> <p>Name and Title of Author:</p>	<p>Gary Sheen <i>Chief Financial Officer</i></p>
<p>Name of Responsible Committee/Individual:</p>	<p>Board of Trustees</p>
<p>Implementation Date:</p>	<p>1st September 2021</p>
<p>Review Date:</p>	<p>July 2022</p>
<p>Target Audience:</p>	<p>Headteachers/Heads of School, Trust Executive Leadership Team, Trustees</p>
<p>Reference Documents:</p>	



1.0 Policy Background

- 1.1 Charities are required to establish a reserves policy in order to protect their operations. However, regardless of the regulatory requirement, establishing reserves that protect the operation of the Trust and contribute to its smooth running is good practice and forms part of its overall financial control and governance framework.
- 1.2 Whilst the Trust does not wish to hold excessive reserves, as it believes that funds should be expended on the pupils of today, it recognises that a level of reserve is required to cover unforeseen events and potentially to provide resources for identified investment priorities.
- 1.3 This document sets out the reserves policy for Wolds Learning Partnership. The policy is built upon the following core principles:
- i. Reserves must have a specific purpose related to future spending or covering current and future risks;
 - ii. Reserves should be transparent and maintain the link with the purposes for which the income was given;
 - iii. Reserves should be sufficient to ensure that unexpected events can be accommodated without causing a cumulative deficit.
- 1.4 Reserves should not be viewed as a substitute for contingency budgets, which should be built into annual revenue budgets and 5-year forecasts. However, they may be required to cover financial shocks that go beyond reasonable contingencies built into annual budgets.
- 1.5 Reserves should also not be confused with cash: there will be a relationship between reserves and cash, but reserves might be fully or only partly cash-backed.

2.0 What are Reserves?

- 2.1 Reserves are those surpluses accumulated over time as a result of differences between income and expenditure. The financial statements of a multi academy trust distinguishes between three types of reserve, namely:
- **Restricted general fund**, arising from differences between grants and other income receivable from ESFA and other bodies that come with restrictions on how they should be applied, and associated expenditure. This fund also includes the Trust's share of any surplus or deficit on defined benefit pension funds such as LGPS;
 - **Unrestricted general fund**, arising from differences between income from donations and trading activities, and associated expenditure;
 - **Restricted fixed asset fund**, comprising the value of fixed assets inherited by the Trust plus any capital grants receivable less cumulative depreciation charges.
- 2.2 Of these, the restricted fixed asset fund is not readily available to the Trust as it is substantially tied up in land and buildings. The restricted general fund **excluding pension reserve**, and the unrestricted fund are therefore the focus of the Trust's reserve policy.
- 2.3 The Trust came into being with an inherited deficit, which sits within the restricted general fund. In the early years of the Trust, this deficit increased as legacy issues from pre-academisation emerged



and were dealt with. As at 31 August 2021, this accumulated deficit has been eliminated and the balance of reserves to which this policy relates stands at **£288k** or **2.7%** of annual revenue income.

3.0 Wolds Learning Partnership Reserves Policy

3.1 The Trust has an ambition to operate with an accumulated reserve balance equal to around 3% of annual revenue income of the Trust as a whole **excluding** the impact of any academy transfers in during the year. This target will be reviewed annually by the Board. Based on income receivable in the last financial year (2020/21), this would equate to a positive reserve balance of **£320k**.

3.2 This level of reserves is based upon recommendations made by ESFA and is deemed by the Board of Trustees to be the minimum required to provide protection against reasonable levels of financial risk arising from:

- i. Cash flow issues such as short-term delays in receipt of grant funding;
- ii. Unexpected in-year deficits that exceed the level of contingency built into annual budgets;
- iii. The short-term impact arising from pension scheme revaluations and associated increases in contribution rates not covered by additional grant.

3.3 The Trust operates pooling of General Annual Grant (GAG) as the best way of ensuring that resources can be deployed according to where the greatest impact can be made, or to address particular issues that may arise in one or more constituent academies. Such allocations are made as part of the annual planning round, taking reviews of individual academy risk registers and school development plans into account. The Trust has a GAG Appeals Policy in place to ensure that all academy heads have access to Trustees to challenge the allocations made.

3.4 Once the level of overall Trust reserves exceeds the minimum level set by Trustees, such excess may be retained or allocated to fund capital investment or specific initiatives across the Trust or within one or more academy. Such decisions will be made by the Trust Board as part of each annual planning round.

4.0 Reserves policy and going concern considerations

4.1 The Trust's policy for reserves is linked to and part of its formal consideration of the academy's going concern presumption. An appropriate level of reserves underlies the forecasts and cash flow projections that are used by the Board to confirm that Wolds Learning Partnership is a going concern and is able to meet its liabilities as they arise.

5.0 Review of reserves policy

5.1 Monitoring and oversight of the Trust's overall reserves is undertaken throughout the year. This is achieved through regular management accounts, cash flow monitoring and termly financial forecasts.

5.2 The reserves policy is reviewed on an annual basis at the outset of the strategic and business planning process.