

LiFE MAT Reserves Policy

Documentation Information

Reviewed By		Responsibility	
Last Reviewed	May 2024	Next Review	
Review Cycle		Ratified by Trustees	

Approved by Trustees

Signed on behalf of the Board of Trustees by:

Chair of Trustees.

Date Signed

Policy changes:

Date	Change
May 24	Added explanation behind pooling of reserves in Section 2 – purpose of policy.
May 24	Added in age range change impact as a rationale for holding reserves in Section 3
May 24	Changed ‘academies’ to ‘schools’ in Section 4.
May 24	Change of Section 5 from ‘Maintaining a minimum level of reserves’ to ‘Trust Reserves Policy’ and remove any reference to individual schools having separate rules, changing the policy unequivocally to a Trust level of reserves which are considered in total across the Trust.
May 24	Removed section 5.4 which discussed the individual school specific and central rules. Also in doing this it removes references to single academies.
May 24	Changed title of section 6 from ‘Additional funds available to support individual academies’ to ‘Utilisation and replenishment of reserves’.
May 24	Section 6 – added in some relevant examples of where reserves may be required
May 24	Section 6 – added in the conditions which must be met for reserves to be below 5%.

1. Introduction and background

- 1.1 The LiFE Multi Academy Trust (The Trust) Board is responsible for the effective and efficient use of available resources.
- 1.2 The Trust Board is ultimately responsible for the allocation of resources to deliver the vision of the Trust.
- 1.3 The Trust Board is responsible for maintaining sufficient reserves to ensure that the Trust remains financially stable.

2. Purpose of this policy

- 2.1 The Trust's reserve policy:
 - Explains the rationale behind the 'pooling' of reserves across the Trust.
 - assists in strategic planning by considering how new projects or activities will be funded;
 - informs the budget process at both a school and at Trust level, by considering whether reserves need to be used during the financial year or built up for future projects;
 - enables investment decisions to be made at a Trust level, where necessary utilising reserves across the Trust; and
 - informs the budget and risk management process by identifying any uncertainty in future income streams

3. Application of the policy

- 3.1 When considering an appropriate level of reserves, the Trust Board considers:
 - The risk of unforeseen emergency or other unexpected need for funds;
 - A fall or rise in sources of income;
 - The impact of age range changes in current or recent previous years still impacting financial operations within the school;
 - Planned commitments, or designations, that cannot be met by future income alone, for example plans for a major capital project;
 - The need to fund potential deficits in a cash budget, for example money may need to be spent before funding is received; and
 - The full range of financial risks identified.

4. Application of the policy

- 4.1 Schools within the Trust are expected to set and maintain a balanced budget where costs are met from income in a given year. Any deviation from this will require CFO and CEO approval prior to being formally approved by the Finance committee. Accumulated reserves of the Trust can be utilised, subject to the provisions of this policy (see Section 6).

5. Trust Reserves Policy

- 5.1 The Trust aims to maintain reserves above the Department for Education's minimum guidance of 5% to provide liquidity against unforeseen or timing-related expenditure and to safeguard continuity of school provision. At the same time, we avoid stockpiling reserves that would detract from benefiting current pupils. Accordingly, a target range of 5–8% of annual unrestricted expenditure is recommended to support prudent financial planning, resilience, and timely investment in safeguarding, estate, and strategic priorities, while ensuring funds remain focused on enhancing pupils' day-to-day experience.
- 5.2 For the purpose of this policy, reserves are deemed to exclude restricted fixed assets funds, pension deficits/reserves and any other specifically designated funds (e.g. funds held for a particular, board approved project).
- 5.3 The establishing of a pooled, Trust-level reserve means that every school has potential access to a much larger reserve if needed than was or could ever be the case when each individual school had (or sometimes did not have) its own individual reserve. This strengthens the financial position of every school within LiFE Multi Academy Trust.

6. Utilisation and replenishment of Reserves

- 6.1 The purpose of holding reserves is to offer protection against short and medium operating challenges, as such, in the challenging environment we operate there may be times when reserves are required. The following could be reasons why schools might seek to make use of the reserve and therefore might seek approval of this through the Trust's Finance Committee (having discussed the matter fully and appropriately with the CEO and CFO):
- A worsened budget due to pupil growth. With a lagged funding system, it is quite possible that a school with growing pupil numbers may not be able to achieve an in-year balanced budget. Future projections of such a school's budget should indicate an improved subsequent budget position and therefore the ability to repay reserves at an agreed future point.
 - Unanticipated events that could cause an unexpected deleterious effect on a school's budget and therefore require it to access reserves. There are various possibilities that could exist here, such as long-term absence, which must be covered, of one member of (or particularly several members of) staff.
 - A new school joining the Trust that may need some temporary assistance from reserves to improve underlying performance and financial position. A proper recovery plan for any such school would be required if reserves were to be agreed for this purpose.
 - A new school joining the Trust with a level of income out of proportion with the reserves balance as per this policy at the point of incorporation.
 - A specific planned development at a school that may need some up-front funding to enable it to happen. It is possible that this might be best supported through the SCA fund, depending upon the nature of the development. Any such planned development would need to be agreed as in line with the Trust's core purposes. A clear repayment schedule would need to be agreed in the event of reserves being agreed to be used for this purpose.

- A change in the funding formula for schools that has a specific adverse effect on a particular school due to their nature/characteristics. This may mean that setting an in-year balanced budget in the coming year is very difficult and some reserve is required to assist with this.
- A widespread issue impacting all schools such as the Covid-19 pandemic and significant additional spend required across all schools on a variety of costs (e.g. deep cleaning, additional PPE and health & safety, remote learning related expenditure).

6.2 The Trust is only permitted to reduce reserves below 5% on the condition that;

- The Trust reserves are not forecast to reduce below 3%, this is considered an absolute minimum level which should not be breached;
- There is a clear business case, approved by the CEO and CFO which sets out the case for reserves utilisation;
- The academy is able to provide a 3 year budget which shows a return to their agreed minimum reserve level by the end of a 48 month period from the month which the 5% limit was breached.
- The Trust Board, in its discretion, approves the use of additional funds on the basis of a business case submitted by the academy.

6.3 The policy is the responsibility of the Trust and decisions involving the use of reserves will be made in accordance with the strategic priorities of the Trust.

7. Monitoring and reporting

7.1 Each year, the Trust will report in the financial statements:

- The level or range of reserved considered appropriate for the academy trust;
- The level of reserves at year-end;
- How the Trust is going to achieve the desired level or range of reserves; and
- How often the reserves policy is reviewed.