





LIGHTHOUSE

SCHOOLS PARTNERSHIP

RESERVES POLICY

Non-Statutory

Policy Approved by the Board of Trustees	
Signed:  Name: Adele Haysom Chair of Board of Trustees	Date: 27 August 2024
Authorised for Issue	
Signed:  Name: Gary Lewis Chief Executive	Date: 27 August 2024

Document History

Version	Author/Owner	Drafted	Comments
1	Louise Malik	June 2023	Separated from Principal Accounting Policies
2	Louise Malik	August 2024	Amended to reflect updated financial strategy

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This policy applies to all schools and employees within the Lighthouse Schools Partnership.

RESERVES POLICY

Non-Statutory

Aims

1. The aim of the reserves policy is to:
 - 1.1. Protect the Trust's activities by providing a financial comfort zone against an unpredictable financial environment,
 - 1.2. Make sufficient provision for future cash flow requirements and capital procurement,
 - 1.3. Provide a framework for strategic planning and decision making,
 - 1.4. Provide a framework for LGBs and Trustees as part of the budget setting process by considering the level of reserves,
 - 1.5. Inform the budget and risk management processes by identifying any uncertainty in future income streams.

Types of reserves

2. Unrestricted Reserves:
 - 2.1. Unrestricted Reserves are derived from income funds, grants or donations that can be spent at the discretion of the Trustees in furtherance of any of the MAT's objectives.
 - 2.2. 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 place restrictions on how the fund is eventually spent.
 - 2.3. Unrestricted Reserves will be achieved through operational efficiencies and any trading activities undertaken by the MAT.
3. Restricted Reserves:
 - 3.1. Restricted funds are mainly derived from government grant funding through the ESFA (Education and Skills Funding Agency) but may also include other grants or donations provided for a specific purpose.
 - 3.2. Restricted reserves must be used in accordance with the limitations outlined in the original funding (in the case of ESFA funding, this is as detailed in the Trust's Funding agreement). So, they are funds that must be spent on things the donator has specified or for the purpose for which it was given.
4. Capital Reserves:
 - 4.1. Capital reserves are mainly derived from government funding to be allocated to Capital Projects and spent in accordance with the Funding Agreement. This will be monitored centrally to ensure that funding is spent

within the allocated time frame.

- 4.2. Capital reserves are also considered as restricted and are defined as Restricted Fixed Asset Reserves.
5. Designated Reserves:
 - 5.1. Designated Reserves are reserves that have been set aside at the discretion of the Trustees in furtherance of any of the Trust's objectives or our designated in line with restriction attached the associated funding.
 - 5.2. Where a designation has been identified, the purpose and timing of any expenditure must be explained.
 - 5.3. The reserve will be derived from unrestricted and restricted funds where applicable and spend in accordance with any expenditure restrictions.
 6. Pension Reserve:
 - 6.1. 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 Trust.

Application of the policy

7. When considering an appropriate level of reserves, the Trustees will consider:
 - 7.1. The risk of unforeseen emergency or other unexpected needs for funds,
 - 7.2. A fall or rise in sources of income,
 - 7.3. Any expected increases in the cost base,
 - 7.4. Planned commitments, or designations, that cannot be met by future income alone, for example plans for a major capital project,
 - 7.5. The need to fund potential deficits in a cash budget, for example, money may need to be spent before funding is received,
 - 7.6. Maintaining sufficient liquid funds to cover committed expenditure, including employee costs, for a limited period of time whilst remedial action is undertaken, and
 - 7.7. Other risks identified in the Trust's risk register.

A balanced budget

8. Schools within the Trust are expected to set and maintain an in-year balanced budget where costs are met from income in a given year.
9. Schools within the Trust are expected to meet the budget that is agreed for the financial year. Any areas of overspend will need to be identified and addressed to ensure that the agreed budget is achieved by the end of the financial year.

10. Accumulated reserves can be utilised, subject to the provision of this policy. The utilisation of accumulated reserves to set a balanced budget must be agreed by the school's LGB and submitted to the Board of Trustees for consideration as part of the budget setting process.

Maintaining a minimum level of reserves

11. For the purpose of this policy, reserves are deemed to exclude restricted fixed assets funds, pension reserves and other specifically designated funds (e.g. funds held for particular Board approved projects).
12. For the purpose of this policy, federated schools will be combined.
13. The target range for reserves, both at a school and at Trust level, is between 3% and 5% of the net amount of annual income (used to calculate the Core Services Charge).
14. If the Trust's overall reserves are below, or projected to be below, the target range (below 5%), all schools within the Trust will be required to set a balanced budget without utilising their accumulated reserves in order for the Trust to establish or maintain reserves within the target range. This position will be agreed and communicated by Trustees as part of the budget assumptions guidance issued in advance of the budget preparation process and update as necessary.
15. Schools that have projected revenue reserves that are outside of the target range of reserves are required, in partnership with the Central Team, to consider the level of reserves and to take remedial action to meet the requirements of this policy. The purpose of this action is to:
 - 15.1. Ensure that resources are utilised for the benefit of the children and young people currently within the school(s), as far as reasonable. Please note that this will be restricted when the Trust's overall reserves are below, or projected to be below, the target range of 5% when all schools will be required to set a balanced budget without utilising their accumulated reserves as detailed in paragraph 14.
 - 15.2. Prevent or recover a school being in an unfunded deficit position.
 - 15.3. Enable schools and the Trust overall to establish sustainable budgets.
16. The LGB of individual schools must refer any spending decision outside the agreed budget, that meets the criteria in 16.1 and 16.2 below, to the Finance Committee of the Board of Trustees for review and approval. Requests for recurrent spending are likely to only be agreed in exceptional circumstances. Requests for one off spending, particularly on items that will improve the schools ongoing financial sustainability are more likely to be approved.
 - 16.1. Spending not included in the agreed budget of over £15,000, or 1% of the school's income used to calculate the Core Services Charge (whichever is the greater) for a primary school or over £50,000 for a secondary school must be referred to the Finance Committee of the Board of Trustees.
 - 16.2. Additional permanent staffing, or temporary staffing exceeding the levels specified in 16.1, to the levels agreed in the budget must be referred to

the Finance Committee of the Board of Trustees.

- 16.3. LGBs are not required to refer spending decisions outside of the agreed budget to the Finance Committee if the spending is fully funded from additional unbudgeted income and has no detrimental impact on the schools longer term financial position.
17. The minimum level of reserves is ultimately limited by the need to operate as a going concern and to maintain a positive cash accounting position for the Trust and may therefore, be subject to change.