



# Reserves Policy

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*Together, pursuing life in all its fullness*

<b>Version</b>	<b>Date</b>	<b>Author</b>	<b>Changes</b>
V1.0	January 2015	Michelle Nisbet	Initial Draft
V2.0	March 2018	Michelle Nisbet	Business Proposal Form template
V3.0	January 2021	Louise Beale	Review, add contents, amendment to 5.1 to also submit to Head of Operations and Compliance for capital projects, form separated from document
V3.1	April 2023	Sarah-Jane Anderson	Reviewed and amendments made to 1.0 purpose
V4	March 2025	Louise Beale / David Gibson	Review of reserves level and addition of plan for use of available reserves
V5	July 2025	CFO	Added section – Fixed Asset Reserves Policy Name Change Insertion of Pooling sections

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The electronic version is the definitive version of this document.

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## **1. PURPOSE**

The purpose of the reserves policy is to ensure there are sufficient reserves to:

- provide financial stability to enable the Trust to achieve its objectives.
- provide sufficient working capital to cover fluctuations in cashflow.
- provide the ability to react quickly to financial circumstance, such as significant unbudgeted expenditure.
- enable the Trust to make investment decisions in accordance with the investment policy.
- provide a plan for spending of reserves.

## **2. DEFINITIONS**

### **2.1 Restricted Reserves (Revenue)**

Restricted reserves are represented by the main source of funding for an academy i.e. General Annual Grant (GAG) paid by the Department for Education (DfE) and any other grant income or donation income received for a specific project or purpose (e.g. capital grant income).

Restricted reserves funds are restricted for use according to funding agreements or donor instructions.

### **2.2 Unrestricted Reserves (Revenue)**

Unrestricted reserves can be derived from a combination of income sources such as operational activities to specifically generate income, investment income and general donation income.

Unrestricted reserves are expendable at the discretion of the Trust in furtherance to achieve the objectives of the Trust.

### **2.3 Designated Reserves**

Designated reserves are unrestricted funds that have been allocated for a particular purpose, usually at the discretion of the Board of Directors.

### **2.4 Fixed Asset Reserves**

The Trust receives funds for the purpose of condition, often associated with purchasing Fixed Assets. Funds used for, or will be used for, funding Fixed Assets are recorded as

Fixed Asset Reserves. This will mainly include School Condition Allocation (SCA). Any Devolved Formula Capital (DFC) or GAG used to fund Fixed Assets will also be transferred to Fixed Asset Reserves.

Investment need is reviewed annually and as part of a rolling programme of both IT infrastructure and estates need. The MAT will monitor the trust wide needs for capital investment and allocate resources as appropriate with Trustee approval.

### **3. Pooling of Trust Reserves**

#### **Introduction**

The trust supports the notional recording of trust reserves which is allowable under provisions within the Academy Trust Handbook 5.3. As a Trust entity the aggregate reserves are the financial power to support all pupils in our care and thereby support our trust mission of together, pursuing life in all its fullness.

The reserves in scope are restricted reserve and unrestricted reserve. The Department for Education (DfE) view these reserves at Trust level and monitor this value as part of the trust financial returns, and raise queries if this number becomes low or negative.

#### **Spending school reserves**

Schools within the trust are bound by the Scheme of Delegation and budget approval is not delegated from Trustees. In essence this means to spend reserves a school must obtain approval by Trustees as part of their annual budget setting process which would take the form of agreeing an in-year deficit budget.

#### **Pooling Trust Reserves**

- Policy
  - The policy is to share trust reserves between schools.
- Rationale
  - The trust generally pools cash (which includes reserves) and controls schools' budgets via the scheme of delegation.
  - There is a risk to trust reserves if a school with high notional reserves is re-brokered that would create trust financial instability.
  - Simplified reporting within various submission and reports. A pooling policy negates the requirement to report individually per academy.
  - Pooling only applies to cumulative positions at year-end point. Each financial year will be an isolated reporting period for the academy based on approved budget plan. Any surplus or deficit at year-end will be recognised into the trust overall position. This protects the income allocations per school year and their various elements used to calculate this by the DfE which factors in for example deprivation funding. However, it is worth

noting income funding is based on lagged pupil numbers which can create in-year fluctuations on reserves.

- Allows the Trust to view the reserves strategically and invest in priorities (e.g., School Improvement investment, Learning Strategies, supporting an exceptional lagged funding issue in a given school).
- Commencement Date
  - Effective date is the ratification date, with financial year ending 31 August 2025 recorded as pooled.
- Arrangements on Transfer
  - Incoming schools' reserves will become the trust reserves at point of entry with their existing annual budget pro-rated as appropriate for their join date, with any other transitional agreements made prior to entry.
  - Exiting schools via re-brokerage or other means will be deemed to transfer out with £nil unless otherwise agreed by Trustees (e.g., incoming reserves exceptionally exceeds trust investment at point of exit).
- Financial Reporting
  - Directors and Business & Finance Committee receive monthly management accounts including trust reserves. Budget projections will include trust reserves.
- Right of Appeal
  - The Headteacher will have the right to appeal directly to the CEO if they feel their school has been treated unfairly by the Policy.
  - Should the Headteacher still feel their school has been unfairly treated by the CEO they have the right to appeal directly to the Trust Board.
  - Should the Headteacher still feel their school has been unfairly treated by the Trust Board they would have the right of appeal directly to the Secretary of State. The Secretary of State's decision would be final.
  - Right of appeal is required under the Academy Trust Handbook and this policy follows the suggested route map.

#### **4. RESERVES POLICY**

Section 2.8 of the Academy Trust Handbook states *“The Board of Trustees **must** set a policy for holding reserves, and explain it in its annual report, including a clear plan for managing reserves.”*

It is the Trustees' policy to aim to maintain a level of revenue reserves of 5% of the Trust's GAG annual income which will be reviewed as part of the annual budget setting process.

DfE Reserves Guidance includes the following:

***“Holding a lower level of reserves***

*When considering a minimum level at the lower end, trustees will need to be assured that:*

*there is sufficient contingency should something unforeseen occur  
that there are funds in place to maintain the school estate and infrastructure*

*For some trusts a lower level of reserves could suggest financial vulnerability and challenge, especially if much below 5%. For other trusts, this will be a deliberate decision in accordance with their financial operating model to provide financial sustainability.”*

Trustees believe holding a reserves position reflective of GAG income is appropriate as other income such as Trips, Catering, SEN and Donations are separately managed with linked costs.

As the Trust receives School Condition Allocation funding of circa £1m which is not fully committed until after receipt, alongside RPA insurance for emergencies, Trustees believe there are adequate funds in place to maintain the school Estate in an emergency. (Notwithstanding a general lack of DfE estate funding to maintain the Estate at a desired level.).

Consideration is given to long term economic conditions and the three year budget reserves position to ensure that future reserves are sufficient to mitigate and manage the risks in the Trust

Trust operational costs do not include Local Government Pension Scheme (LGPS) charges and liabilities. However the impact of inherited LGPS liabilities should be noted, as it could be said there are no free reserves which then results in a deficit restricted reserve fund.

Whilst the LGPS liability is genuine, with effect from July 2013, Parliament agreed to guarantee in the event of Academy closure, outstanding LGPS liabilities would be met by the Department of Education.

Therefore for the purpose of calculating the reserve level, LGPS operational charges and liabilities are excluded.

## **5. USE OF RESERVES**

The Trust will use reserves in the following way:

1. Build up reserves to the minimum level, if less than this.
2. Use available reserves to invest in schools, both operationally and via capital improvements to improve education for all children.

The reserves usage for the following year is agreed as part of the budgetary process at the beginning of each year.

## **6. REVIEW OF RESERVES POLICY**

The policy and the level of reserves will be reviewed by Directors at least bi-annually or sooner if warranted by internal or external events such as new academies joining the multi academy trust.