



Reserves Policy

2024/2025 Academic Year

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Introduction

1.1 The Board of Trustees are responsible for the effective and efficient use of available resources. These responsibilities are outlined by [The Charities Commission](#) in their published guidance, the [Academy trust handbook 2024](#) and [ESFA reserves](#) guidance.

1.2 The Board delegates' responsibility for the management of available finances and reserves to the Operations Committee as outlined in the Scheme of Delegation and within the constraints of budgets approved by the Board.

1.3 The Academies Trust Handbook states “The Board of Trustees must, as part of its management of the trust’s funds, set a policy for holding reserves and explain in its annual report, including a clear plan for managing reserves. The Board of Trustees may invest to further the trust’s charitable aims but must ensure that investment risk is properly managed.”

The Board must:

- Ensure that financial plans are prepared and monitored, satisfying itself that the trust remains a going concern and financially sustainable;

- Take a longer-term view of the trust's financial plans consistent with the requirement to submit three-year budget forecasts to ESFA;
- Set a policy for holding reserves and explain it in its annual report act within its powers to invest as described in its articles;
- Exercise care and skill in investment decisions, taking advice as appropriate from a professional adviser;
- Ensure that exposure to investment products is tightly controlled so that security of funds takes precedence over revenue maximization;
- Ensure that investment decisions are in the best interests of the trust;
- Review the Reserve policy regularly.

1.4 The ESFA do not set a required level of reserves. Instead, they request the Board of Trustees decide the level of reserves to hold that is appropriate for the individual circumstances and priorities of the trust. The Board should review this regularly to ensure that they continue to meet the needs of all pupils.

1.5 In deciding, the level of reserves the Board will consider the following:

- One-month payroll salary amount;
- The trust's annual budget;
- The need for any large project spends such as facilities development or building condition needs;
- Any uncertainty, turbulence or expected reduction in funding arrangements, including the level of transitional protection within the trust funding and its expiry date;
- Anticipated funding over the next three to five years.

Reserves

2.1 Academy reserves will be pooled and held centrally.

2.2 The Board will approve annually in advance any strategic use of pooled reserves as part of the 3-year plan approval process.

2.3 This policy:

- Assists in strategic planning by considering how new projects or activities will be funded;
- Informs the budget process at both at academy and 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 academy level, where necessary utilising reserves across the trust;
- Informs the budget and risk management process by identifying any uncertainty in future income streams.

2.4 The purpose of this policy is to update the requirement for a revenue / capital reserve within the trust in order to ensure development plans and strategic long terms aims are achieved. The reserves held are intended to carry forward a prudent level of resources designed to meet the long-term cyclical needs of renewal and any other unforeseen contingencies.

2.5 Reserves of the trust are considered to be funds that are deployed at the discretion of the Board of Trustees and within the Scheme of Delegation.

2.6 In year surplus monies can be deployed at the discretion of the Board of Trustees based on the Trust Development Plan.

2.7 Only in exceptional circumstances will the trust be allowed to use reserves to support a short-term deficit. A clear timing and action plan to bring academies out of deficit is required prior to approval. This must be approved by the Board of Trustees.

2.8 The Trust has a fiduciary responsibility to carry sufficient free reserves to:

- Manage potential future financial risks as a result of:
 1. **Structural deficits:** maintaining academies with historic and/or structural deficits whilst executing robust deficit recovery plans; and
 2. **Growth:** providing working capital and short-term deficit funding for new academies joining the trust.

- Meet future capital requirements (e.g. building repairs, IT infrastructure) where it is anticipated that there may be a shortfall against future eligible capital funding, such that free reserves will need to be drawn upon to meet the strategic long-term capital plans of the trust. Where a shortfall in capital funding is identified, the Board have the discretion to designate free reserves against this future funding requirement. The recommendation is to allocate an overall amount each year, from retained reserves brought forward, against which additional in year approval is required through the Operations Committee.
- Provide the trust with a buffer of general reserves to be drawn down in times when income is disrupted or decreased, or costs are increased unexpectedly, such that any given buffer will allow the trust to continue to operate without material impact to educational outcomes or the trust's pupils or staff.

The appropriate target level of reserves in any given financial year is reviewed annually by the Board.

2.9 The trust also has a responsibility to ensure that reserves are not excessive and as such would represent an educational risk to maximising the educational outcomes of the pupils.

2.10 Where an LGB Committee believes that the academy has been unfairly treated, they should submit a case in writing to the Chair of Trustees for consideration. This case must set out the grounds on which they feel that the arrangement is unfair in the circumstances and propose a variation. The Chair of Trustees may recommend to the Operations Committee that:

- The arrangement should stand; or
- A variation should be granted.

2.11 The Operations Committee shall have regard to the advice of the Executive Headteacher and may approve or reject the request for a variation. In exceptional circumstance the Board of Trustees will hear any appeals and the Board's decision shall be the trust's final position.

Monitoring Arrangements

3.1 The Operations Committee monitors the implementation of this policy on behalf of the Board.

3.2 This policy will be reviewed and approved by the Board annually.

Links with other Policies

4.1 This Reserve Policy links with our policies on:

- Financial Policies & Procedures
- Investment Policy
- Procurement Policy
- Scheme of Delegation

Signed..... Date: 16th December 2024

Chair of Trustees

Signed..... Date: 16th December 2024

Executive Headteacher