

INCLUSIVE | MULTI ACADEMY TRUST

RESERVES POLICY

| DOCUMENT DETAIL | |
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| Approving Body | Resources Committee |
| Author | Sharon Carlyon |
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Introduction

Our policy is to share cumulative GAG reserves. The Trust is a single financial entity who is responsible for the sustainability of all their schools. This policy reflects the legal position that all reserves held are legally those of the Trust. The ESFA allows Trusts the freedom to have one central fund. The purpose of this policy is to allow the Trust to direct funds to where they are most needed and to support the delivery of the Trusts vision and strategy ensuring all pupils in the Trust have an equal opportunity to succeed.

This policy establishes a framework within which decisions will be made regarding the level of reserves held by the Trust and the purposes for which they will be used and maintained.

The Reserves Policy:

- assists in strategic planning by considering how new projects or activities will be funded
- informs the budget and risk management process by identifying any uncertainty in future income streams and
- enables investment decisions to be made at board level, where necessary utilizing reserves across the trust

Definitions

Restricted Revenue Reserves:

- Mainly derived from government grant funding through the ESFA (Education and Skills Funding Agency) but may also include other grants such as those received from the Local Authority or donations provided for a specific purpose.
- Restricted revenue reserves must be used in accordance with the conditions of the grants (in the case of ESFA funding through the General Allocation Grant [GAG]). They are funds that must be spent on things the donator has specified or for the purpose for which it was given.

Unrestricted Revenue Reserves

- Derived from income funds, grants or donations that can be spent at the discretion of trustees in furtherance of the Trust's objectives.
- If part of an unrestricted income fund is earmarked for a particular project, it may be 'designated' as a separate fund. However, the designation has an administrative purpose only and does not place restrictions on how the fund is eventually spent.

Restricted Fixed Asset Reserves

- 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 and according to grant conditions.

Free Reserves

- The sum of Restricted GAG Reserves and Unrestricted revenue reserves

Surplus Reserves

- Free reserves in excess of the minimum level of reserves

Minimum Level of Reserves

The Trust will maintain a minimum level of free reserves at all times, for the following reasons:

- To enable the Trust to respond to unforeseen and unavoidable costs at short notice
- To ensure the Trust is able to pay staff for at least one month in the event of unforeseen circumstances
- To ensure the Trust is a 'going concern' as required by the Academy Trust Handbook

The Trust has committed to maintaining a minimum level of free reserves equal to 5% of total ESFA revenue income.

The minimum level of free reserves is subject to annual review by Trustees.

Surplus reserves, being free reserves above this minimum level, will be managed as outlined in this policy.

Accessing Reserves

Reserves will be deployed in accordance with the following order of priority:

- I. To address emergency health and safety and/or safeguarding risks in schools
- II. To fund the strategic objectives of the Trust which may include:
 - a. investment in central resources to provide services to support schools
 - b. to support an operating deficit recovery plan in a single school
 - c. costs associated with strategic priority projects such as restructuring
- III. To fund capital improvements that cannot be met by future anticipated income or specific grants alone
- IV. To fund specific school improvement projects where there is an evidence based rationale for the expected impact on pupil outcomes and it is not an ordinary operating activity (such as staffing).
- V. Other as approved

Use of reserves will be approved through the usual budget setting/reforecast process via a business case (See Appendix 1 for a template). Business cases must be submitted to the Chief Operating Officer in line with Budget/Reforecast deadline dates.

As well as meeting the criteria above, use of reserves will only be approved by the Trust Board (in line with delegated limits) if the following is met:

1. There are surplus free reserves to cover the amount requested*
2. The business case demonstrates that all other sources of funding have been explored and exhausted including:
 - In Year and anticipated revenue income
 - Government revenue grants for which the Trust or schools are eligible to apply
 - Government capital grants such as DFC and CIF
 - Non-Government revenue or capital grants such as National Lottery
 - School generated income such as through fundraising

* It is at the discretion of the Trust Board to access reserves where the remaining balance will be below the minimum level of reserves.

In the exceptional circumstance where funds are required outside of the budget setting/forecast process, a Business Case should be presented to the Chief Operating Officer, who will convene a panel from the Trust Board/Resources Committee of at least three trustees to review and consider.

Generating Reserves

Reserves that are deployed will need to be replenished in order that there continues to be funds available for future investment and/or emergencies in the Trust.

Schools within the Trust are expected to set and maintain a budget that delivers an in-year surplus equal to or above the in-year surplus target for that year. This in year surplus will act as a contingency for anything unforeseen that may arise within the year. Any remaining in year surplus will transfer to reserves.

The Resources Committee will set an in-year surplus target annually in the Spring term, ahead of the budget setting process. In 2025/26, this target will be 2% of total income.

Should a school not be able to achieve an in-year surplus target, it will be required to submit a business case to request approval from the Resources Committee to deliver a lower in-year surplus or to fund an in-year deficit from reserves.

Budget management

It is expected that schools take a robust approach to budget management to ensure access to reserves is fair and not used to address avoidable costs as a result of poor financial management. Schools will be supported to set and manage their budgets through tools, training, timely and accurate reporting and advice.

Capital investment

Schools will be required to set aside funds each year towards ongoing capital improvements to include ICT upgrades, refurbishing the learning environment and maintaining premises. Each school should have a three year spending plan/budget.

Schools joining the Trust

Reserves brought into the Trust by a joining school can be applied to be ring fenced to the school for the following reasons:

- To address urgent safeguarding and health and safety issues at the time of conversion as determined by a condition survey commissioned or the Trust Board
- Any other urgent requirements determined by due diligence
- Any specific project or programme the school can evidence that they had accumulated reserves for.

Schools that are accepted to join and have a financial deficit will be the subject of a specific recovery plan agreed with the Trust Board and the ESFA prior to entry. This deficit recovery plan is captured under priority 2 of Accessing Reserves.

Appeals

The process for appeals is as follows:

Headteacher to write to the Chief Executive Officer (CEO) outlining why the school has been unfairly treated as part of this arrangement and what action they expect to be taken to rectify it.

The CEO and the Chair of the Resources Committee will review each appeal and reply to the school within 10 days of receipt of the appeal.

Should the Headteacher feel that their school has still been unfairly treated then they have the right to appeal to the Trust Board. The Board will consider the appeal at their next meeting and respond within 10 working days of that meeting.

Annual Financial statements

The Reserves Policy is disclosed in the Trust's annual financial statement report and will include the following information:

- why reserves are held
- what level of the reserves is considered appropriate for the academy trust
- what the actual level of reserves are at the year end
- how the academy trust is going to achieve the desired level of reserves

Monitoring and evaluation

The Trust Board will review the opportunities and risks for the Trust throughout the year in order to assess the required level of resources needed to meet anticipated and unanticipated needs in the short and long term.

This policy will be monitored regularly for any changes in legislation or directions from the DFE which may have an effect and evaluated in light of any comments made by the DFE, ESFA or Academy Trust's financial auditors.

Appendix 1 Business case

This is an example template which could be used for reserve requests, new projects and any requests to introduce new staffing posts to a school:

| | | | |
|------------------|--|-------|--|
| School: | | | |
| Bid prepared by: | | Date: | |
| Approved by: | | Date: | |

Project Title:

The project/objective/initiative/staffing

Please describe the issue the project that is requested to be funded from reserves, including timescales and duration.

Impact

Please describe the impact of this project, how the impact will be measured and how it aligns with the school plan

Justification

Please describe why this project wasn't included in the most recent budget and what sources of funding have been exhausted already such as current year underspends, grants, income generation

Costs

Please detail the breakdown of the project costs and the procurement process followed per the SoD (ie quotes/tender). Please attach quotes.

| | | | |
|-------------------|-----------------------|-------|--|
| Authorised by COO | | Date: | |
| Meeting minutes: | (link to Governorhub) | | |