



Reserves Policy

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INTRODUCTION

- 1.1 This Reserves Policy outlines the principles and procedures for managing and maintaining reserves within Community Inclusive Trust (the "Trust"). As a Multi-Academy Trust (MAT) that pools its General Annual Grant (GAG) budgets, it is essential to have a clear and transparent reserves policy that ensures the financial stability and sustainability of the Trust, while enabling it to deliver high-quality education and services to its schools.
- 1.2 The Trust aims to maintain a prudent level of reserves to support its strategic objectives, manage financial risks, and ensure continuity of educational provision. The policy defines the target level of reserves, their intended uses, and the process for managing and monitoring reserves.

OBJECTIVES OF THE RESERVES POLICY

- 2.1 The primary objectives of this reserves policy are to:
- Ensure that the Trust has sufficient funds to manage unexpected financial pressures and risks.
 - Provide a financial buffer to smooth out fluctuations in income and expenditure across the MAT's schools.
 - Enable the Trust to invest in strategic initiatives, capital projects, or other long-term goals that benefit the whole MAT.
 - Comply with regulatory requirements and demonstrate financial prudence and accountability to stakeholders, including the Education and Skills Funding Agency (ESFA), Trustees, staff, and the wider community.
 - Ensure that the board receives oversight of the reserves position of the Trust and challenge this position as required.

SCOPE AND DEFINITIONS

- 3.1 This policy applies to all academies within the Trust, which pool their individual GAG budgets into a central budget. The pooled funds are managed collectively, and the reserves policy will be applied to the Trust's consolidated financial position. Reserves are the representation of the cash balances available at the period end. In charity accounts (the format used for Academies) this cash is transferred into fund balance.
- 3.2 These balances can be for "restricted" or "unrestricted" purposes depending on their source:
- **Restricted Reserves:** Funds that are subject to restrictions or conditions imposed by the ESFA, donors, or other funders. These funds cannot be used for general expenditure.
 - **Unrestricted Reserves:** Funds that are available for use at the discretion of the Trust, including supporting operational requirements, unforeseen costs, or strategic investments. If part of an unrestricted income fund is earmarked for a project, it may be 'designated' as a separate fund. However, the designation has an administrative purpose only and does not legally restrict the directors' discretion to spend the funds.

3.3 In addition, the Trust maintains two further reserve categories:

- **Restricted Fixed Asset Reserve:** This represents the current carrying value of all fixed assets that have transferred to the Trust from the Local Authority because of school conversions, donated and granted fixed assets and any other fixed asset purchased from Free and Restricted Reserves. Typically, these assets cannot be easily liquidated.
- **Restricted Pension Reserve:** This represents the Trust's share of the deficit on the Local Government Pension Scheme (LGPS) transferred to the schools on conversion from Local Authority control. This reserve is required to cover the Trust's share of the pension scheme liabilities

TARGET LEVEL OF RESERVES

4.1 The Trust will maintain an appropriate level of reserves that ensures it has sufficient financial stability to support both day-to-day operations and any unexpected financial challenges. The target level of reserves is determined by the Trust's size, financial risk, and long-term goals.

4.2 The Trust has set a target for **unrestricted reserves** to be between 5% and 8% of total **GAG income** across the MAT, with the following considerations:

- **5% of GAG income** as a minimum level of unrestricted reserves, to manage operational and unexpected costs, such as fluctuations in funding or unforeseen expenses.
- **Between 5% and 8% of GAG income** as a target level, to enable the Trust to plan for strategic projects, invest in infrastructure, and ensure long-term financial sustainability.

4.3 The target reserves will be reviewed by the Trust Board annually in December, and adjustments will be made in light of changes in funding levels, pupil numbers, inflation, or significant changes to the MAT's financial circumstances.

USE OF RESERVES

5.1 Reserves will be used for the following purposes:

- **Operational Expenditure:** To cover unexpected or one-off operational costs, such as emergency repairs, staffing changes, or temporary cashflow shortages.
- **Strategic Investments:** To fund capital projects, infrastructure improvements, growth or initiatives aligned with the Trust's strategic plan.
- **Contingency Planning:** To provide a buffer against reductions in funding, pupil number variations, or other unforeseen financial pressures.

5.2 Reserves will not be used to cover routine, ongoing operational deficits or to fund regular operational expenditure in a manner that would create a structural deficit. The Trust will aim to achieve a balanced budget each year and only use reserves for specific, one-off items or strategic purposes.

5.3 Ideally, this would be the case, and the Trust will cumulatively increase the level of its Free Revenue and Restricted Revenue Reserves over time and in line with minimum

and maximum target levels. However, in instances where setting a balanced budget would be detrimental to service provision outcomes, a deficit budget will be set drawing from revenue reserves, with notification provided to the ESFA as required.

- 5.4 Release of reserves may take place either as part of budget setting or via an in-year release.

RELEASE OF RESERVES: BUDGET SETTING

- 6.1 As part of the budget setting process, specific projects or capital works may be identified that require the release of reserves due to their non-recurrent nature. Examples include capital works or high value educational improvement plans which are revenue in nature but will have a long-term effect.
- 6.2 Where a release of reserves is required, this will be included as part of the budget setting process for that school or the Trust itself. Authorisation for release of Trust Central Reserves will be through the normal budget sign off process; Headteacher/Head of School, Chief Finance Officer/Chief Executive and finally Board of Trustees. Since projects requiring the use of reserves as part of the budget setting process would be an inherent part of the Trust's strategic plan, a School Development / Improvement Plan or Premises Plan, no Application for Use of Reserves form is required.

RELEASE OF RESERVES: IN-YEAR

- 7.1 In-year utilisation of reserves is controlled through an application process.
- 7.2 Application for Use of Reserves (see Appendix 1) is completed and submitted to the CFO and CEO for approval at a plan level.
- 7.3 If this is approved, the Application for Use of Reserves is submitted to the Finance and Estates Committee for approval which, at this point, will include a detailed costing, timeline and risk assessment to support the plan.
- 7.4 Upon authorisation the appropriate level of Reserves will be released from the Trust's Central Reserves into the budget of the school to be expensed solely against the application project costs. This will be monitored as part of normal budget monitoring with any eventual underspend returned back to the relevant reserve. For capital projects this will result in a transfer between funds from revenue to capital

MONITORING AND REPORTING OF RESERVES

- 8.1 The Trust's reserves position will be monitored regularly by the Finance and Estates Committee and reported to the full Board of Trustees. The following process will be followed:
- **Spending Review Reporting:** The Trust's finance team will provide regular updates on the reserves position as part of financial reporting in to the Finance & Estates Committee (3 x per year)
 - **Annual Review:** The reserves policy and level of reserves will be reviewed as part of the annual budgeting process, in alignment with the Trust's financial planning and strategic objectives.

- **Management of Pooled Budgets:** The pooled GAG funds across the Trust will be monitored to ensure that individual academies are contributing to and benefiting from the reserves appropriately. If an academy is facing a specific financial challenge, additional support from the central reserves may be considered, subject to the Board's approval.

MANAGEMENT OF RESERVES WHEN NEW SCHOOLS JOIN THE TRUST

- 9.1 When a new school joins CIT, managing financial reserves is a key aspect of ensuring both the new school and the CIT's overall financial health are maintained. The reserves will need to be integrated into the MAT's broader financial management framework, following legal, regulatory, and good governance practices. The impact on Trust reserve targets when new schools join will be monitored closely.
- 9.2 Aligned to the Trust's approach to pooling GAG funds, typically reserves or carry forwards from Incoming schools will be transferred and pooled into the Trust's reserve.
- 9.3 However, CIT may choose to review and determine how much of any incoming reserve could be earmarked for specific purposes, considering the short-term operational needs of a new school and whether any part of the transferring reserve was restricted in any way. This review will identify whether any of the reserve will be allocated to strategic projects, such as curriculum development, facility upgrades, or integration into MAT-wide initiatives.

GOVERNANCE AND OVERSIGHT

- 10.1 The Board of Trustees is responsible for approving the Reserves Policy, monitoring the level of reserves, and ensuring that the Trust's reserves are managed prudently in accordance with this policy.
- 10.2 The Finance and Estates Committee will:
- Review the level of reserves three times per year, termly.
 - Ensure that the reserves policy is adhered to and that reserves are used for appropriate and strategic purposes.
 - Make recommendations to the Board on any adjustments needed to the reserves strategy or policy.

EXPENDITURE OF RESERVES

- 11.1 Expenditure from reserves will be carefully managed to ensure that it is in line with the Trust's strategic priorities. The following procedures will apply:
- **Capital Projects:** Large-scale investments (e.g. new buildings or major refurbishment) will be planned and costed in advance, with clear justification for the use of reserves.
 - **Emergency Expenditure:** In the event of an unforeseen or emergency financial requirement, reserves may be accessed after approval from the Finance and Estates Committee or the Board of Trustees, as appropriate.
 - **Annual Budget Approval:** The annual budget will reflect the intended use of any reserves, with the full Board approving the final budget each year

CHARITIES AND EDUCATION AND SKILLS FUNDING AGENCY ACCOUNTING REQUIREMENTS

- 12.1** The Trust is required to report in its accounts the level of reserves held split between the funds noted above.

ACADEMIES TRUST HANDBOOK

- 13.1** Any employee as part of their roles and responsibilities that are referring to this document must also have an understanding and knowledge of the Academies Trust Handbook. If the Academies Trust Handbook differs from these procedures, please bring it to the attention of the Central Finance Team. The link to the Academies Trust Handbook is below:

- https://assets.publishing.service.gov.uk/media/66a3909aab418ab055592dda/Academy_trust_handbook_2024_FINAL.pdf

REVIEW OF THE POLICY

- 14.1** This Reserves Policy will be reviewed annually to ensure it remains aligned with the Trust's financial strategy, funding environment, and the needs of the academies within the MAT.

CONCLUSION

- 15.1** By maintaining an appropriate level of reserves, Community Inclusive Trust ensures that it can respond effectively to unexpected challenges, continue to invest in the future, and provide high-quality education across all its academies. This policy will be reviewed regularly and adjusted as necessary to reflect the Trust's changing circumstances and strategic priorities.
- 15.2** This reserves policy provides a clear framework for managing and using the Trust's pooled GAG budgets in a way that safeguards financial sustainability while ensuring that the Trust can continue to invest in its schools and meet its long-term objectives.

REFERENCES

- 16.1** CIT Funding and Appeals Policy 2024/25.

EXTERNAL REFERENCES

- 17.1** Academies Trust Handbook 2024.

AMENDMENTS TO THIS DOCUMENT

- 18.1** This policy represents a complete rewrite of the previously approved Reserves Policy 2023/24.

Appendix A:

COMMUNITY INCLUSIVE TRUST APPLICATION FOR EXPENDITURE AGAINST RESERVES	
<u>EXECUTIVE SUMMARY</u> Academy/Trust-wide: Project details: Amount requested: Current year budget position: Free reserves b/fwd from previous year:	
<u>RESERVES PERCENTAGE SUMMARY</u> Range set: ___% to ___% Current projected reserves percentage: projected reserves percentage after amount requested:	
<u>BUSINESS CASE</u> Introduction & project scope: Summary of cost / Tenders received:	
Submitted by: 	Date:
Approved by: Chief Executive Officer	Date:
..... Chief Financial Officer