Little Way Catholic Educational Trust

Reserves Policy

Version:	2		
Approved by:	Trust Board	**Date:**	Summer 2026
Next review due by:	Summer 2028		

Version	***Updates***
1	*Original production*
2	*Substantial updates and changes in text, design and formatting across the whole document*

Aims and introduction

Little Way Catholic Educational Trust is committed to ensuring the effective, efficient and responsible stewardship of all resources entrusted to it. This policy sets out the Trust's approach to establishing, maintaining and managing financial reserves.

The purpose of maintaining reserves is to support the Trust's financial resilience and ensure that it can continue to deliver high-quality education while responding effectively to changing circumstances and future challenges.

This policy aims to ensure that reserves are maintained at an appropriate level to:

- *Support the educational needs of pupils and the delivery of the Trust's strategic objectives.*
- *Safeguard the long-term financial sustainability of the Trust and its academies.*
- *Provide assurance to pupils, parents, staff, trustees, regulators and other stakeholders that public funds are being managed responsibly.*
- *Enable the Trust to respond to unforeseen circumstances and emerging risks.*
- *Support effective financial planning and decision-making.*

This policy is in line with the following guidance:

- *Department for Education (DfE): Academy Trust Handbook and Academy trust reserves guidance*
- *Charity Commission: Charity Reserves: Building Resilience*
- *Charity Commission: Charities Statement of Recommended Practice (SORP)*

The policy applies to all academies within Little Way Catholic Educational Trust

Definitions

Reserves

- *Reserves are the accumulated unrestricted funds of the Trust that are available to be used at the discretion of the Board of Trustees in furtherance of the Trust's charitable and educational objectives.*
- *For the purposes of this policy, reserves are often referred to as "free reserves" and represent funds that are available once all liabilities and commitments have been taken into account.*

Restricted funds

- *Restricted funds are monies received for a specific purpose and can only be used in accordance with the conditions attached to the funding. Examples include capital grants and certain grant-funded projects.*
- *Restricted funds do not form part of the Trust's free reserves.*

Purpose of reserves

The Trust maintains reserves to:

- *Provide financial stability and operational continuity.*
- *Protect the Trust against unforeseen financial pressures or emergencies.*
- *Manage the financial impact of fluctuations in pupil numbers or funding levels.*

- *Support cash flow requirements where expenditure may be incurred in advance of grant funding being received.*
- *Enable strategic investment in educational improvement, school development and infrastructure.*
- *Support major projects or asset purchases that cannot reasonably be funded from a single year's income.*
- *Ensure compliance with the expectations of the Department for Education and the Charity Commission.*

Reserves are intended to support sustainable financial management and should not routinely be used to fund recurring operational deficits.

Management of reserves

The Board of Trustees has overall responsibility for determining the level of reserves required by the Trust and ensuring that reserves are managed appropriately.

Little Way Catholic Educational Trust operates a central reserves model. All reserves are held by the Trust as a single legal entity; however, reserves are monitored and reported at academy level to support transparency and effective financial planning.

This approach enables the Trust to:

- *Maximise opportunities for investment and strategic deployment of resources.*
- *Respond flexibly to emerging needs across the Trust.*
- *Support academies facing exceptional circumstances.*
- *Ensure resources are used where they will have the greatest impact on pupils and school improvement.*

All academies are expected to set balanced budgets. The use of reserves should be limited to one-off strategic investments, unforeseen operational pressures, or exceptional circumstances approved through the Trust's governance processes.

Reserves should not be relied upon as a means of addressing ongoing structural budget deficits.

Reserves on joining the trust

As part of the due diligence process undertaken when a school joins Little Way Catholic Educational Trust, a detailed review of the school's financial position will be completed.

Upon conversion or transfer into the Trust:

- *All revenue and capital balances will transfer to the Trust.*
- *All assets and liabilities associated with the academy will transfer to the Trust in accordance with the relevant transfer agreement.*
- *Any restricted funds will continue to be used for their intended purpose and in accordance with the conditions attached to the funding.*

The Trust will work collaboratively with the joining academy to ensure a transparent and orderly transfer process.

Reserves level
Calculation of reserves

The following items are excluded when calculating free reserves:
- *Tangible fixed assets, including land and buildings.*
- *Restricted funds.*
- *Designated funds set aside for specific future projects.*
- *Commitments that have not yet been recognised as liabilities within the accounts*

The trustees have considered the following in determining the minimum level of reserves for Little Way:

- *Current and future income and expenditure forecasts.*
- *Strategic priorities and planned investments.*
- *Known and emerging financial risks.*
- *Potential funding changes.*
- *Pupil number trends.*
- *Future commitments and contractual obligations.*
- *The likelihood and impact of unforeseen financial pressures.*

Minimum Level of reserves
The Board of Trustees has determined that each academy should maintain reserves equivalent to a minimum of:

- ***9% of annual General Annual Grant (GAG) funding.***

This level is considered sufficient to provide an appropriate balance between financial resilience and ensuring that funding is used effectively for the benefit of pupils.

Monitoring and review
The adequacy of reserves will be monitored regularly by the Finance, Audit and Risk Committee and reviewed annually by the Board of Trustees as part of the budget-setting process.

When reviewing reserve levels, trustees will consider:
- *The size and complexity of the Trust.*
- *The financial position of individual academies.*
- *Current and future risks.*
- *Anticipated capital projects and investment requirements.*
- *Financial forecasts and cash flow projections.*

Reserves will be reported to each meeting of the Finance, Audit and Risk Committee and annually to the Board of Trustees.

The review will include:
- *Current reserve levels compared to target levels.*
- *Analysis of significant variances.*

- *Forecast reserve movements.*
- *Emerging risks and opportunities.*
- *Recommendations regarding designated or released funds.*
- *Where reserve levels fall below or exceed the target level, trustees will consider whether the position is temporary or indicative of a longer-term trend and will determine any corrective action required.*
- *Recommendations for designation or release of funds*

Where reserves are below target or exceed target, the board of trustees will consider whether this is due to a short-term situation or a longer-term issue. A broader review of finances and reserves will be undertaken if necessary.

Use of Reserves
Reserves may be used to:

- *Fund strategic improvement initiatives.*
- *Support school expansion or development projects.*
- *Meet urgent or unforeseen capital expenditure.*
- *Support capital funding bids where match funding is required.*
- *Address exceptional operational pressures.*
- *Support cash flow requirements arising from delayed funding.*

Academies seeking to access reserves outside their approved budget must submit a written request to the Chief Finance Officer.

Appendix A will need to be submitted for each reserve request. Applications should clearly set out:

- *The purpose of the request.*
- *The amount requested.*
- *The expected impact and outcomes.*
- *Any risks associated with not proceeding.*

Requests will normally require approval from all of the below:

- *The Chief Executive Officer;*
- *The Chief Finance Officer; and*
- *The Finance, Audit and Risk Committee.*

Under normal circumstances, applications will be considered within one half-term to align with committee meeting cycles.

In urgent circumstances, alternative arrangements will be agreed by the Chief Executive Officer and Chief Finance Officer in consultation with the Headteacher.

Investment of reserves
Where appropriate, surplus funds will be invested in accordance with:

- *The Trust's Investment Policy.*
- *The Trust's Articles of Association.*
- *The Academy Trust Handbook.*

The primary objective of any investment activity will be the protection of capital, while seeking an appropriate return within an acceptable level of risk.

Reporting and transparency

The Trust's reserves position will be disclosed annually within the Trust's Annual Report and Financial Statements.

This disclosure could include:

- *The reasons for holding reserves.*
- *The amount of free reserves held.*
- *The amount of restricted funds held.*
- *An explanation of how reserves support the Trust's educational objectives.*

The Chief Finance Officer will provide regular reports on reserves to the Finance, Audit and Risk Committee and an annual summary report to the Board of Trustees.

Where reserves exceed the target level, trustees will consider whether funds should be allocated to support strategic priorities, including:

- *Investment in facilities and infrastructure.*
- *Educational resources and technology.*
- *School improvement initiatives.*
- *Other projects aligned to the Trust's strategic objectives.*

Policy review

Overall responsibility for this policy rests with the Board of Trustees.

The Finance, Audit and Risk Committee is responsible for overseeing the monitoring and implementation of the policy and making recommendations to the Board as appropriate.

This policy will be reviewed every two years or sooner where changes in legislation, guidance or the Trust's circumstances require.

Links with other policies

This reserves policy is linked to the following:

- *Scheme of delegation*
- *Finance policy*
- *Investment policy*

Appendix A: Application for expenditure against reserves:

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School Name:

<u>Executive Summary</u>

- **Project Details:**
- **Amount Requested:**
- **Current Year Budget Position:**
- **Amount Of Reserves B/FWD from Previous Year:**

<u>Reserve Percentage Summary</u>

- **Current Reserves %:**
- **Projected Reserves % After Amount Requested:**

<u>Business Case</u>

- **Introduction & Project Scope**
- **Breakdown Of Costs**

Submitted By:

Date:

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Approved By:

Chief Executive Officer:

Date:

Chief Finance Officer:

Date:

Finance, Audit and Risk Committee:

Date: