



REVENUE AND CAPITAL RESERVES POLICY

Adopted by the Trust Board:

October 2025

Review:

Autumn 2026



Updates since last edition

Number section	Title section	Details of changes
2	2.1	Replaced ESFA with DfE
4	4.1	Replaced ESFA with DfE
6	6.2	Removed ESFA

Maintaining an appropriate level of financial reserves is considered essential in protecting the Trust from financial risk.

It is generally considered prudent to maintain reserves sufficient to cover unexpected events in order that the academy's aims and objectives can be met. Simultaneously, it is the responsibility of Trustees to ensure funds benefit pupils in the trust's care; therefore, it is essential they actively consider the use of reserves.

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1.0 INTRODUCTION

Academies are expected to hold contingency reserves to fund future expenditure related to the Academy Development Plan's strategic long-term aims and developments.

2.0 OBJECTIVE

The objective of the reserves policy for the South Essex Academy Trust is to ensure the stability of the academy's organisational operations. Maintaining an appropriate level of financial reserves is considered essential in protecting the Trust from financial risk, subject to constraints that may be imposed by the DfE.

2.1 Capital

- 2.1.1 Academies should create reserves from their General Annual Grant (GAG) funding to meet future capital expenditure, including minor building work and the provision/replacement of ICT equipment.
- 2.1.2 Currently the DfE provides minimal funding as Devolved Formula Capital Grant to support capital investment into buildings and ICT equipment.
- 2.1.3 For significant building related works academies may be able to submit a bid for a share of the Condition Improvement Fund or bid to the MAT for a share of the School Condition Allocation which is paid to the Trust by the DfE. In both cases, being successful is not guaranteed and this funding is allocated for specific projects and must not be held in reserve.

The academy is expected to make a contribution towards these projects, represented by the Devolved Formula Capital Allocation for that year, it may also be necessary to consider additional reserve provision.

2.2 Revenue

- 2.2.1 Academies are expected to hold contingency reserves as provisions for unexpected events and working capital.
- 2.2.2 Academies could hold designated contingencies at the Trust, for exceptional staffing and maintenance purposes, but should also build additional contingencies locally.

The CFO, in conjunction with the CEO and Headteachers, are responsible for ensuring compliance with the Academy Trusts policies and procedures.

3.0 DEFINITIONS AND GOALS

- 3.1 The Academy Trust considers it prudent for academy schools to maintain a level of usable reserves sufficient to cover unexpected and unplanned events so that the academy's primary objective is preserved.



- 3.2 At the same time, Trustees wish to ensure that it uses its funding to benefit the students in its care which implies an imperative to consider actively the use of reserves to enhance educational provision.
- 3.3 In deciding the level of reserves the Trustees will consider the following:
 - 3.3.1 Possible changes to funding arrangements
 - 3.3.2 Predicted pupil numbers, particularly falling roll numbers
 - 3.3.3 Academy Development Plan/large projects
 - 3.3.4 Cash flow
 - 3.3.5 The academy's annual budget
 - 3.3.6 Monthly salary bill, including any Pension or HMRC changes
 - 3.3.7 Need to fund potential deficits in a cash budget, for example money may need to be spent before a funding grant is received.
- 3.4 The Academy must regularly monitor and formally report the progress of its reserve schedule at Trustee meetings and provide a report at least annually.

4.0 REVENUE RESERVES

Revenue reserves are derived from both restricted and unrestricted funds.

4.1 Restricted Reserves

Restricted Revenue Reserves are represented by the main funding for the academy – the General Annual Grant (GAG), other DfE central funding streams i.e. Pupil Premium, UIFSM, PE & Sports Grant, Rates etc., Local Authority funding i.e. SEN / Nursery funding and other Government grants/income that are received for a specific project or purpose. Some of these funds are restricted for use according to the funding agreements.

For the purpose of the 'restricted funding' calculation, only the following funding streams are considered when determining the level of 'total restricted funding' i.e.: GAG funding, Pupil Premium Grant, Universal Infant Free School Meals Grant, PE & Sports Grant, Rates funding, Local Authority funding – Nursery Allocation(s) only.

The Trustees have determined that:

- 4.1.1 The appropriate level of 'general' reserves to be held for non-earmarked expenditure must equate to a minimum of 5 % and should not exceed 20% of the academy's total restricted funding, to provide sufficient working capital to cover delays in the spending and receipt of grants and to provide a cushion for unexpected emergencies.
- 4.1.2 The Trustees should consider a capital reserve programme in conjunction with a three to five year 'rolling' programme to ensure ICT hardware and infrastructure is replaced/maintained, up to date and effective technology is embedded throughout the trust. The appropriate level of 'ICT' reserve is to be determined by the CEO, CFO and Trustees with supporting narrative in the academy's budget documentation.



4.2 Unrestricted Reserves

Unrestricted reserves are made up of the academy's activities for generating funds, investment income and undesignated donations which can be spent at the discretion of the Trustees to achieve the aims and objectives of the trust.

The trust's current limit of unrestricted reserves is 2%, however the Trust/Academy are encouraged to demonstrate how unrestricted reserves are to be utilised by means of its school development and financial management plans.

5.0 CAPITAL RESERVES

The Trustees should agree the value of capital reserves to be created in any one year as part of the annual budget approval process, including allowing for accumulating funds towards major projects in conjunction with the Academy Development and Asset Management Plans.

Spending from the capital reserve fund should only occur as part of the agreed budget, approved by the Trustees.

6.0 REPORTING AND MONITORING

Trustees are responsible for ensuring that the level and use of reserves, both revenue and capital, is agreed and monitored.

The Trust will include a programme for building/maintaining reserves as part of its budget planning and benchmarking process.

6.1 Reporting

In Year Reports to Trustees will

- 6.1.1 Compare the amount of reserves held with the target amount or target range set for reserves
- 6.1.2 Explain any shortfall or excess in reserves against the reserve target set
- 6.1.3 Explain any action being taken or planned to bring reserves into line with target.

6.2 Monitoring and Evaluation

The Policy will be monitored regularly for any changes in legislation or directions from the DfE which may have an effect and evaluated in the light of any comments made by the DfE, auditors and any other interested parties.

7.0 REVIEW OF POLICY

This policy will be reviewed as part of the annual overall review of trust's policies.

The CEO, CFO and Headteachers will keep internal operational arrangements under review on an ongoing basis; any recommendations for changes to this policy prior to the annual review will be taken to the finance and audit committee for initial consideration before submitting to the board of trustees for final ratification.