



THE CONSORTIUM  
ACADEMY TRUST

Shaping Positive Futures

# Reserves Policy

The Consortium Academy Trust (TCAT)  
An Exempt Charity Limited by Guarantee  
Company Number 07665828

Status:	Live
Policy Owner (position)	Director of Finance
Statutory / Recommended	Recommended
Date Adopted	7 March 2018
Review Period	24 months
Last Review Date	March 2026
Revision	5
Next Review Date	March 2028
Advisory Committee	Finance, People & Resources
Linked Documents and Policies	<ul style="list-style-type: none"><li>· ESFA (2025) 'Academy Trust handbook 2025'</li><li>· ESFA (2024) 'Academy Trust financial management good practice guides'</li><li>· Charity Commission (2023) 'Charity reserves: building resilience'</li><li>· Charity Commission (2023) 'Charities and investment matters: a guide for Trustees'</li></ul>

*\*NB – This document can only be considered valid when viewed on The Consortium Academy Trust website. If the copy is printed or downloaded and saved elsewhere the Policy date should be cross referenced to ensure the current document is referenced*

This Policy shall be reviewed in accordance with the above review date, or earlier should there be a legal or business requirement that necessitates a change.

## **1.0 INTRODUCTION**

Where reserves are held, it is a requirement of the charity accounting regulations that charity Trustees must state their Reserves Policy in their annual report. Further details may be found in Accounting and Reporting by Charities: Statement of Recommended Practice Updated 2019 commonly referred to as the Charities SORP. The Consortium Academy Trust, as an exempt charity, must comply with these regulations.

Guidance on reserves policies and their reporting requirements is contained in the Education Skills Funding Agency's (ESFA) annual Academies Accounts Direction.

## **2.0 PURPOSE OF RESERVES**

Reserves will have a specific purpose, in line with the Trust's objectives, relating to future spending or covering current and future risks. The purposes for holding reserves will be kept transparent.

Reserves will be held to build financial stability and provide the flexibility to seize valuable opportunities as they arise in the pursuit of our strategic priorities. They will also build resilience to ensure that unexpected financial events do not cause problems in the current year, cash flow issues or generate a deficit. The purposes for holding reserves may include the following:

- Developing and growing the Trust and ensuring the Trust's financial health.
- Managing cashflow and ensuring that the Trust can manage fluctuations in income by making sufficient cash available to pay bills and expenditure items as they fall due.
- Setting aside a contingency amount to cover any unforeseen issues or extra costs throughout the year.
- Building, estates, or non-building capital projects and growing savings to enable maintenance, development and improvement of the Trust's infrastructure.
- Preparing for future change and uncertainty.

## **3.0 DEFINITIONS**

### **Fund Accounting**

The Trust's reserves are held across different funds depending on the nature of the income (and related expenditure) the reserves are derived from.

### **Unrestricted Reserves**

Unrestricted funds are generated from day-to-day operations, trading, investment income, and other non-restricted donations and represent those resources which may be used towards meeting any of the charitable objects of the Trust at the discretion of the Trustees.

The following items are excluded from reserves:

- Tangible fixed assets used to carry out the Trust's activities, e.g. land and buildings.
- Programme-related investments held solely to further the Trust's purposes.
- Other restricted funds where the donor or grantor has specified the purpose to which the grant or donation must be applied.
- Designated funds set aside to meet essential future spending, e.g. funding a project that could not be met from future income.
- Commitments that have not been provided for as a liability in the accounts

#### **Restricted Fixed Asset Reserves**

Restricted fixed asset reserves are resources which are to be applied to specific capital purposes imposed by funders where the asset acquired or created is held for a specific purpose.

#### **Pension Reserve**

The pension reserve is the surplus or deficit of the value of the Trust's portion of the Local Government Pension Scheme (LGPS).

#### **Restricted General Reserves**

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder/donor and include grants from the Education and Skills Funding Agency (ESFA) and Department for Education (DfE).

#### **Free Reserves**

Free reserves are classed as the total of unrestricted reserves and restricted general reserves.

### **4.0 LEVEL OF FREE RESERVES**

The Trust has determined that an appropriate level of free reserves should be at least one month's expenditure.

The Trust Board regards the Trust as a consolidated single entity. Financial control and responsibility are centralised for the benefit of all schools within the Trust.

School budgets are set and agreed with Headteachers to meet their curriculum requirements, to meet the needs of the Trust strategic plan, and to enable the Trust to hold sufficient reserves to meet this policy.

Where the level of free reserves is not met the rate at which the reserves are built will be considered during the budget setting process.

### **5.0 DESIGNATION OF RESERVES**

All reserves sit at Trust level but can be designated as described below. Reserves will be expended at the discretion of the Trustees.

## **5.1 Schools joining the Trust**

A school becomes part of the one legal entity on joining the Trust, therefore legally any reserves brought into the Trust on conversion belong to the Trust. However, the Trust recognises that some reserves may have been generated by a school for a specific purpose and the intention is that, wherever possible, **those** reserves may remain designated for that purpose. This does not override the legal position that all reserves belong to the Trust and can be designated by the Trust as required.

Where a school brings a deficit reserves balance into the Trust, the Trust Board will determine how the deficit is to be funded.

Once a school has joined the Trust, it will contribute to free reserves as appropriate in line with section 4.

## **5.2 Sinking funds – named facilities**

Where there is a specific facility, such as a 3G football pitch, which has a limited useful life, a sinking fund should be built up to replace the facility. Where the rewards and responsibilities of the facility are designated to a specific school, it is that school's responsibility to fund the sinking fund from its delegated funding. Where the rewards and responsibilities of the facility are designated to the Trust as a whole, the sinking fund should be funded centrally.

The annual contribution to these funds should be assessed each year by the Finance, People & Resources Committee and will depend on the condition and replacement value of the asset.

Sinking funds are not included in free reserves as they are designated for a specific purpose.

## **5.3 Specific Capital Projects**

Where schools identify the need to invest in a specific capital project, they may set aside funds to do so. An outline of the project should be submitted to the Director of Finance for approval.

Funds allocated to specific capital projects are not included in free reserves as they are designated for a specific purpose.

## **5.4 Unspent grant income**

Any surpluses remaining at the year-end will be designated to the general reserves of the Trust to build up the reserves to the acceptable level outlined in section 4.

Where a school has identified the need to invest in a specific project, the school may submit a request to the Director of Finance to allocate the surplus generated to the specific project. The Director of Finance will approve any request based on the current financial position of the Trust and the priority of the specific project identified.

## **6.0 EXPENDITURE AGAINST RESERVES BALANCES**

Expenditure that draws on reserves is subject to the same purchasing authority levels as set out in the Financial Levels of Authority document. To ensure a balanced and equitable approach to the expenditure of reserves across the Trust, spend will only be authorised when approved by the Finance, People & Resources Committee.

All expenditure against reserves will be reported to the Finance, People & Resources Committee and a projected end of year balance provided.

## **7.0 REPORTING**

The Trust Board will disclose in its annual report its policy for building and maintaining reserves and investments and will include the information required in line with the Academies Accounts Direction for the relevant reporting year.

The Trust will disclose information about reserves in its annual report. This will include a review of reserves and details of:

- Where funds are restricted and not available for the general purpose of the Trust.
- Any amount designated and the reason why.
- Any amount that can only be realised by disposing of a tangible fixed asset.
- The amount of reserves held after making allowances, the plans in place for the future of these reserves, and the likely expenditure date.
- How the amount of reserves held compares to that which is set out in the Level of Free Reserves section of policy and any steps taken to bring the level of reserves held into line with this.