

LiFE Reserves Policy					
DOCUMENT INFORMATION – FRONT SHEET					
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Version Log

Date	Version No	Change

Change Log

- Complete structural rewrite

1. Purpose

1.1. Purpose of the Policy

This policy sets out the Trust's approach to the creation, management, monitoring, and utilisation of reserves. The policy aims to:

- Support the long-term financial sustainability of the Trust.
- Ensure sufficient resources are available to manage financial risks, unforeseen circumstances, and fluctuations in funding.
- Provide a framework for strategic investment and school improvement across the Trust.
- Enable resources to be directed to areas of greatest educational need and impact.
- Support effective financial planning and decision-making at both academy and Trust level.
- Promote consistency, fairness, transparency, and accountability in the allocation of Trust resources.

1.2. Principles

The Board of Trustees recognises that reserves are held on behalf of the Trust as a single legal entity and not for the benefit of any individual academy. The Board seeks to balance:

- Maintaining appropriate financial resilience.
- Avoiding excessive accumulation of public funds.
- Ensuring resources are deployed for the benefit of current and future pupils.
- Supporting academies through periods of financial challenge or strategic development.
- Investing in projects that improve educational outcomes, operational efficiency, and estate condition.

1.3. Responsibility First

The Trust operates on the principle of **"Responsibility First, Not Accountability First."** Schools are expected to contribute to the collective strength of the Trust and, in turn, benefit from the support, expertise, and resources available across the Trust. Reserves are therefore managed for the benefit of all current and future pupils rather than being attributed to individual schools.

2. Pooling of Reserves

2.1. Trust-Wide Reserves

All reserves are held on behalf of the Trust as a single legal entity and are not owned by individual academies. The pooling of reserves enables the Trust to:

- Deploy resources where they are most needed.
- Support academies experiencing financial or operational challenges.
- Invest strategically in school improvement and development.
- Respond to unforeseen circumstances and emerging priorities.
- Strengthen the financial resilience of all academies across the Trust.

In assessing requests for financial support, the Trust may consider factors such as historic contributions to reserves, previous reserve support provided, and strategic need. However, these factors do not create an automatic entitlement for any school to a specific proportion of Trust reserves.

2.2. Central Capital Reserve

The Trust may designate a proportion of unrestricted reserves as a Central Capital Reserve. The purpose of this reserve is to:

- Supplement School Condition Allocation (SCA) funding.
- Support emergency estate works.
- Match fund capital projects.
- Support strategic estate developments.
- Fund building projects where external funding is insufficient.

Where SCA funding or other grant funding does not fully meet the cost of an approved capital project, the Central Capital Reserve may be utilised to fund some or all of the remaining balance, subject an approved Business Case.

2.3. Sinking Funds and Planned Asset Replacement

The Trust may establish designated Sinking Funds to support the planned replacement of assets where expenditure is predictable and occurs on a cyclical basis. Sinking Funds support long-term financial sustainability by allowing replacement costs to be planned and funded over a number of years, reducing the risk of significant unplanned expenditure.

The Chief Financial Officer may recommend the creation of Sinking Funds where future replacement requirements have been identified. Contributions may be made through academy budgets, central Trust budgets, or other approved funding sources.

Where a Sinking Fund has been established, academies benefiting from the relevant assets may be expected to contribute towards future replacement costs through the annual budget-setting process.

Sinking Funds shall form part of the Trust's pooled reserves and may be designated by the Board of Trustees for specific future purposes. Designated Sinking Funds are established for financial planning and asset management purposes only and do not create any entitlement for individual academies.

For major asset classes, including technology infrastructure, devices, and other assets subject to planned obsolescence, the Trust may operate rolling replacement programmes supported by Sinking Funds to ensure assets are renewed in line with their expected lifecycle and to minimise disruption to educational provision and operational delivery.

The adequacy, appropriateness, and affordability of all Sinking Funds will be reviewed annually as part of the Trust's budget-setting, asset management, and reserves monitoring processes. Whilst designated for specific purposes, all Sinking Funds remain part of the Trust's overall pooled reserves and may be reallocated by the Board of Trustees in exceptional circumstances where necessary to protect the financial sustainability of the Trust.

3. Definition of Reserves

For the purposes of this policy, reserves are categorised as follows:

3.1. Restricted Revenue Reserves

Funds received for a specific purpose which may only be spent in accordance with the funding conditions attached to them. Examples include:

- General Annual Grant (GAG)
- Pupil Premium
- High Needs Funding
- PE & Sport Premium
- Other restricted grants and donations

3.2. Unrestricted Reserves

Funds that may be used at the discretion of the Trustees in furtherance of the Trust's charitable objectives. Examples include:

- Trading surpluses
- Investment income
- Unrestricted donations
- Commercial income

3.3. Designated Reserves

Funds that remain unrestricted but have been earmarked by the Board for a specific purpose. Examples include:

- Technology replacement programmes
- School improvement funds
- Strategic development projects
- Central Capital Reserve
- Growth and expansion projects

3.4. Restricted Fixed Asset Reserves

Funds associated with fixed assets including:

- Land and buildings.
- Capital grants.
- Devolved Formula Capital
- School Condition Allocation
- Other capital funding

3.5. Pension Reserve

The accounting value of the Local Government Pension Scheme surplus or deficit.

3.6. Reserve Calculation

For the purposes of monitoring compliance with this policy Usable Trust Reserves are calculated as:

Total Reserves	Less:
	<ul style="list-style-type: none"> ● Restricted Fixed Asset Reserves ● Unspent Capital Grants and Capital Reserves ● Pension Reserve

Usable trust reserves comprise the unrestricted and designated reserves available to support the objectives of this policy. These reserves form the basis of reserve monitoring and reporting within the trust's management accounts and performance indicators.

4. Reserve Levels

Designated reserves, including the Central Capital Reserve and any approved Sinking Funds, form part of the overall Usable Trust Reserves balance and are not held in addition to the reserve targets set out within this policy. For example:

Reserve Type	Amount (£000's)	Usable reserve (Y or N)
General Fund	1,000	Y
Unrestricted Fund	500	Y
Designated Funds / Sinking Funds	100	Y
Fixed Asset Reserve	5,000	N
Unspent Capital	750	N
Pension Reserve	(600)	N

In this example Total Usable Trust Reserves = £1,600,000. It is the total Usable Trust Reserves figure that is assessed against the reserve limits within this policy.

4.1. Minimum Reserve Level

The Trust will seek to maintain useable Trust Reserves equivalent to at least **5% of annual income**. This level is considered necessary to provide protection against:

- Unexpected financial pressures.
- Variations in pupil numbers.
- Changes in funding levels.
- Cash-flow timing differences.
- Emergency expenditure.
- Significant risk events.

4.2. Target Reserve Range

The Trust's target reserve range is **5% to 10% of annual income**. The Finance Committee will monitor performance against this range throughout the year.

4.3. Absolute Minimum Position

The Trust should not budget for reserves to reduce below **3% of annual income**. Where forecasts indicate that reserves may fall below this level, the CFO shall prepare a recovery plan for consideration by the Finance Committee and approval by the Board of Trustees.

4.4. Reserve Levels Above Target

Where Usable Trust Reserves exceed 10% of annual income, the Board may designate some or all of the excess as an In-Year Strategic Investment Reserve.

The In-Year Strategic Investment Reserve may be allocated through the reserve application and Business Case process set out within this policy.

Applications may include:

- School improvement initiatives.
- Estate development projects.
- Technology infrastructure.
- Safeguarding improvements.
- Curriculum development.
- Outdoor learning and play facilities.

- Workforce initiatives.
- Strategic growth opportunities.

Final approval shall remain in accordance with the approval framework set out in Section 7. The Trust recognises that reserves should be maintained for resilience but should not be accumulated without a clear strategic purpose.

Reserve Limits as Per 2026/27 Budget	% of Total Income	Amount
Absolute Minimum	3%	
Minimum Reserve	5%	
Maximum Reserve	10%	

5. Building Reserves

5.1. Annual Contributions

The Trust encourages schools to generate sustainable operating surpluses which support long-term financial resilience and strategic investment.

As part of the annual budget-setting process, schools will normally be expected to contribute towards the maintenance of Trust reserves. Expected contribution levels will be determined by the CEO and CFO having regard to:

- Current reserve levels.
- School financial performance.
- School improvement priorities.
- Capital investment requirements.
- Growth in pupil numbers.
- Financial recovery plans.
- Exceptional operational circumstances.
- Trust-wide strategic priorities.

Contribution expectations may vary between schools and between financial years.

5.2. Schools in Deficit

Academies operating under an approved recovery plan will not normally be expected to contribute towards reserves until financial sustainability has been restored, unless otherwise agreed by the CEO and CFO.

5.3. Enhanced Contributions Following Investment

Where an academy benefits from significant investment funded from Trust reserves, the trust may require enhanced future contributions into reserves.

This arrangement will be agreed as part of the original Business Case approval. Enhanced contributions may apply where:

- The project is expected to generate future savings.
- The project is expected to create additional income.
- A substantial investment has been made for the benefit of a particular academy.
- Reserve funding has been approved on the basis of future financial benefit.

The level and duration of any enhanced contribution arrangement will be determined by the CEO and CFO and approved alongside the original Business Case.

5.4. Reserve Support and Investment Tracking

Where a school benefits from funding provided from Trust reserves, including approved deficit budgets, investment funding, capital support, or other forms of reserve assistance, the Trust may record the value of that support within a Reserve Support statement.

The statement will be maintained for management and monitoring purposes only and will not form part of the Trust's statutory accounting records or financial statements.

The purpose of the Register is to:

- Promote transparency regarding the use of Trust reserves.
- Record reserve-funded support and investments made for the benefit of individual schools.
- Support future financial planning and reserve allocation decisions.
- Monitor agreed replenishment expectations and investment performance.
- Assist Trustees when considering future reserve applications.

Amounts recorded within the statement do not constitute a legally binding debt or loan owed by a school to the Trust.

Where reserve support has been provided, the CEO and CFO may agree an indicative replenishment profile with the

school as part of a Business Case, recovery plan, or annual budget-setting process.

When considering future reserve applications, previous reserve support and replenishment performance may be taken into account alongside educational need, financial sustainability, and strategic priorities.

5.5. Investment Funding and Expected Return

Where Trust reserves are utilised to fund projects that are expected to generate future financial benefits, including cost savings, additional income, operational efficiencies, or estate improvements, the Trust will normally expect reserves utilised to be replenished over time.

Business Cases must demonstrate:

- The estimated financial benefit of the proposal.
- The expected payback period.
- The source of repayment or replenishment.
- The risks associated with the proposal.
- The impact on Trust reserves.
- Value for money.

To reflect both the opportunity cost of utilising Trust reserves and the additional financial risk borne by the Trust, investment proposals will normally be assessed against a target return equivalent to:

The average annual investment return achieved by the Trust during the previous financial year plus 2%.

The additional 2% reflects:

- The increased risk associated with deploying reserves rather than retaining invested funds.
- The loss of investment income foregone by the Trust.
- The need to maintain and replenish reserves for future strategic priorities.

Where appropriate, schools benefiting from an investment may be expected to contribute future savings or additional income towards replenishment of Trust reserves. Any such expectation will be recorded within the Reserve Support Statement and monitored through the management accounts.

6. Access to Trust Reserves

6.1. Purpose of Reserve Funding

Trust reserves may be utilised for:

- Strategic investment projects that deliver financial savings, operational efficiencies, or additional income.
- Capital improvement or repairs
- Capital Emergency works.
- Technology investment
- Financial recovery plans
- Academy transfer and growth activities.
- Planned replacement of obsolete assets and equipment.
- School improvement programmes.

6.2. Capital Projects and SCA Funding

Reserve funding may be utilised where School Condition Allocation (SCA), grant funding, or other external funding do not fully cover the cost of an approved project. Where external funding only partially contributes towards a project, Trust reserves may be used to fund some or all of the remaining balance, subject to the approval process set out within this policy.

6.3. Business Case Requirement

All requests for reserve funding must be supported by a Business Case. Reserve funding requests will normally fall into one of the following categories:

Investment Business Case

Projects expected to generate future financial savings, efficiencies, or additional income. Examples include:

- Outdoor playground equipment.
- Early years learning environments.
- SEND facilities and adaptations.
- Specialist curriculum facilities.
- Sports and recreational facilities.
- Behaviour and pastoral provision.
- School improvement initiatives.

New System Business Case

Projects involving the implementation or replacement of significant operational or educational systems. Examples include:

- MIS systems.
- Finance systems.
- HR systems.
- Digital transformation projects.

Building Project Business Case

Projects relating to estate development, condition works, safeguarding improvements, expansion schemes, or major building projects. Examples include:

- Roofing projects.
- Expansion works.
- Classroom developments.
- Health and safety projects.
- Accessibility improvements.

More guidance can be found in the procurement section of the finance policy.

7. Approval Framework

7.1. Approval Levels

Reserve allocations shall be approved in line with the scheme of the delegation but with a minimum of CFO approval. The table is as follows:

Value	Approval Required
Up to £50,000	Chief Financial Officer
£50,001 to £250,000	Chief Executive Officer and Chief Financial Officer
Above £250,000	Board of Trustees

The Board reserves the right to review any proposal regardless of value.

7.2. Assessment Criteria

When considering requests for reserve funding, the Trust will consider:

- Strategic importance of the proposal.
- Educational benefit.
- Value for money.
- Financial sustainability.
- Availability of alternative funding.
- Current level of Trust reserves.
- Previous reserve allocations made to the academy.

No single factor will determine approval, and each request will be considered on its merits, and final decisions are made in line with the table above.

8. Recovery and Replenishment

Where approved reserve utilisation is forecast to reduce reserves below the Trust's target range, the CFO may require a recovery or replenishment plan. Such plans will normally cover a period of three to five years and should demonstrate how:

- Financial sustainability will be maintained.
- Reserve levels will be rebuilt where appropriate.
- Risks will be managed.
- Strategic objectives will continue to be delivered.

9. Monitoring and Reporting

The Finance Committee will review reserves as part of the regular management reporting cycle. This review will include:

Key Performance Indicator for reserves.

- Current reserve balances.
- Forecast reserve movements.
- Emerging financial risks.
- Recovery plans where applicable.
- The balance and movement of designated reserves.
- The Reserve Support Statement.

The monthly management accounts shall include a Reserves KPI showing:

- Total Usable Trust Reserves.
- Reserve percentage against annual income.
- Comparison against the minimum, target, and maximum reserve levels.
- Movements since the previous reporting period.
- Designated reserve balances.
- Reserve support and investment monitoring information.