



RESERVES POLICY

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Approved by:	Trustees, Full Board
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1. Introduction and overarching principles

This policy has been written with [our agreed vision and culture](#) documents in mind. Our vision states what we want to achieve as a Trust. In essence we want:

Our Children to Thrive

Our Colleagues to Thrive

Our Community to Thrive

Being part of the Trust will enable all schools to consistently achieve the above. We are one organisation and we will support each other to ensure each school provides a high-quality education for all.

Our agreed culture sets out how we will work to achieve the vision. At the heart of this is a mantra of “every school succeeding together where success for the trust is based on success of all schools together”.

Finance underpins every aspect of the Trust’s work. Trustees have taken the decision for reserves to be pooled centrally. This policy sets out how decisions around spending this money is made. It is based on the recommendation of a working group including the Trust Leadership Team and school business managers and those in local and central governance roles.

Financial reserves are finite and are not sufficient to cover all spending needs. Like all schools and trusts we are working within a challenging funding environment. This has led the Board of Trustees to take the decision to pool reserves. It is expected that there will be continued downward pressure on the reserves held in the medium to long term.

2. DfE Expectations

The DfE expects academy trusts to manage their reserves prudently, ensuring they support both immediate educational needs and long-term financial stability. Trusts should have clear, well-documented reserves policies that are regularly reviewed and aligned with their strategic objectives.

The Department for Education (DfE) in England has set out expectations for academy trust reserves in their [guidance on reserves](#) and [trust quality descriptors](#). In these documents they state:

Reserves Policy

Academy trusts are expected to have a formal reserves policy that is regularly reviewed and approved by the board of trustees. This policy should be publicly available, often included in the trust’s annual report.

Policy Content: The reserves policy should explain the purpose of the reserves, how and when they can be accessed, and the process for their review and approval.

The reserves should be maintained at a reasonable level, balancing the need to hold back funds for future plans or contingencies with the need to spend funding to benefit current pupils.

Reserves should be sufficient to cover unexpected shortfalls in income or increases in expenditure, helping to ensure financial stability. There is no one-size-fits-all minimum level of reserves, but the DfE expects trusts to be able to justify their level of reserves in terms of risk management and future development needs. It is generally said that reserves should be between 5% and 20% of annual income. Reserves below “5% might indicate financial

vulnerability”, while the Education and Skills Funding Agency will “seek to ensure that appropriate plans are in place” for the funds in Trusts which have more than 20% in reserve.

Trust Quality Descriptors

The DfE provides trust quality descriptors to help trusts evaluate their financial health and governance. These includes expectations that a Trust:

- Demonstrates efficient and effective use of resources, for example through school and trust resource management benchmarking tools and Integrated Curriculum and Financial Planning.
- Operates a well-planned reserves policy that provides sufficient contingency for cashflow and any unplanned, urgent expenditure and aligns resources to expenditure priorities across all its schools.

3. What is the minimum and maximum level of reserves to be held?

The Trust aims to have at least 5% of its annual income in reserve and will only go below this in exceptional circumstances. In addition, the Trust currently expects to need no more than 10% of its annual income in reserve.

If the level of reserves is, or is projected to be below 5%, or if there is a need to spend money which would take reserves below this level, actions will be taken to build the level of reserves up. Possible options include:

- An increase in the top slice from school budgets
- A bespoke target for a surplus in each school, and the central team’s budget
- The pooling of devolved formula capital
- Pooling of GAG funding (which the trust will review annually in any case)
- Greater control (centrally or otherwise) on all discretionary spend

Appendix 1 sets out the approach taken for the 2024-25 year.

4. Reviewing this policy

This policy will be reviewed annually by the CFO who will consult senior leaders. Trustees’ Resources and Audit Committee will approve any changes.

The decision to pooling reserves was taken with the following objectives:

- The Trust meets DfE expectations with regard to reserves and commissioning guidance
- The Trust remains solvent
- The Trust has sufficient funds to invest in the school estate and other areas of need
- The Trust has the financial resources to achieve its overall vision of allowing pupils, staff and the community to thrive, with every school succeeding together.
- The trust can prioritise allocation of funds across the trust where need is greatest (including lending support for CIF bids)

The Trustees’ Resources and Audit Committee will monitor the effectiveness of this policy and the overarching approach of pooling reserves with the above in mind.

5. Spending reserves

Any school in the Trust, or the Central Team can apply for reserves from the central pool for items of expenditure that are not included in the agreed budget for the year, or where compensatory savings or additional income made locally cannot fund the expenditure. The process is:

- Discuss the request with the Central Team. In the case of requests from the Central Team, this will be discussed with the Trust Leadership Team
- Complete the form (appendix 2)
- Forms to be reviewed by the Central Team who make a recommendation
- Trustees' Resources and Audit Committee approve the recommendation

There will be two 'windows' for applications each year. In exceptional or urgent circumstances, applications can be made outside these windows. See appendix 1 for the dates in 2024-25 year. Where there is a need for an emergency spend, the same procedure would be followed, but the chair of Trustees' Resources and Audit Committee making a decision under 'chairs action' powers (where deemed necessary, in consultation with the Chair of the Board of Trustees).

All requests for allocation of funds should be thoroughly thought through, well justified, with all alternatives considered to avoid or mitigate the need for funds. The requests may be questioned and challenged.

In order to encourage transparency, headteachers, school business managers and local governors can observe the Central Team meeting where applications for reserves are reviewed prior to recommendation to Trustees. The reasoning behind recommendations will be documented and made available to applicants.

It is expected that, wherever possible, budgets are able to foresee and include expenditure required. Otherwise it is expected that for material items of a capital nature or significant change projects the need has been well planned and communicated to aid in the long-term planning and allocation of income or reserve funding. Other than emergency situations there should be few surprise requests.

Decisions will be made based on the strength of the case being made and by the need to prioritise allocation of funding where insufficient monies are made available overall. Decisions will also be aided by criteria. The first set of criteria are generic to all applications:

- How much money does the Trust have in reserve relative to the minimum and maximum amounts set out in the policy?
- To what extent will the application support the Trust overarching vision to help pupils, staff and communities to Thrive? For the avoidance of doubt, any request that fails this criteria should not be submitted.

The second set of criteria will vary depending on the type of requested spend. There are five categories:

- Emergency school improvement (e.g. resources for learning, additional temporary teaching or leadership capacity, urgent staff development and training)
- Capital works (e.g. buildings, IT expenditure, H&S or safeguarding issues)
- Expansion or reduction in size of the school
- Grant funding which needs a contribution from trust reserves (including CIF bids)
- Significant HR/legal costs, e.g. a settlement payment

Table 1 sets out the criteria for these five categories of spend:

Emergency school improvement	Capital works	Expansion or reduction in size of the school	Grant funding with contribution	Significant HR/legal costs
How will this help the SIP plan be successful?	Has the work been identified as a priority on the condition surveys (DfE and S2E) and the school's five year investment plan?	Is the school a sufficient size considering the PAN?	How does this fit in with the relevant criteria, e.g. capital works for CIF bids.	Exceptional circumstances that cannot be met out of school budget
What is the current OFSTED/SEF grade of the school? Is the school at danger of a worse OFSTED outcome if the money is not granted?	Is there a H&S or safeguarding benefit to the work? Has this been seen in the relevant audit?	How does the building impact on the day-to-day educational provision and the needs of the pupil?		
What would be the impact on the children's education if the money could not be found?	Is the day-to-day running of the school being affected, or likely to be affected? (e.g. has there been any closure or likely closure?)	Is the building suitable for needs?		
Is this spend something that would usually come out of the school budget?	Is remedial work needed to stop future deterioration?			

If a school is unhappy with a decision made they can appeal. The appeal should put in writing why the original decision was unreasonable and be made within ten working days of the original decision and will be heard by Trustees who were not part of the original decision.

6. Ring-fenced additional unbudgeted income

It is important for a school to be able to raise money and be incentivised to do so. If schools receive additional unbudgeted income throughout the year, this may be ringfenced for use in that particular school. Examples include:

- PTA money
- Letting income
- Income from hosting trainee teachers
- Specific grants award to a specific school or employee
- OFSTED inspector income and other consultancy-type work carried out by members of staff at a particular school
- SEND income

In the case of SEND income, it should be spent as intended by the funder (LA or DfE). The CFO will monitor how this money is spent.

7. Arrangements for new schools joining the Trust

All schools in the Trust are subject to this policy, but for new schools transitional arrangements may be put in place, subject to agreement from Trustees. These transitional arrangements may give the potential for a school joining the Trust to spend some reserves before the rest is pooled.

Appendix 1 Arrangements for 2024-25

Increasing the level of reserves

In order to have a greater level of reserves for schools to spend, for the 2024-25 year, the Trust will focus on increasing the level of reserves. This will involve the following actions:

- A bespoke target for a surplus in each school, and the central team's budget
- The pooling of devolved formula capital

Windows for applications to spend reserves

Each year there are two 'windows' for applications to spend reserves. For 2024-25 these windows will be:

- Window 1: Initial discussions with the Central Team to be made by mid-September. Applications made by 4th October for a decision to be made by 15th October 2024. This application round will include consideration of Condition Improvement Fund Bids.
- Window 2: Initial discussions with the Central Team to be made in March or April once the outcome of CIF bids is known. Exact dates for application and decision to be agreed.

In exceptional circumstances, applications can be made outside these windows.

Understanding the medium to long-term needs of school across the Trust

Over the course the Autumn term 2024 each school will develop (with help from the Central Team) a 5 year investment plan which strategically covers the investment that may be needed in the coming years. This will cover areas of spend such as building, school kitchen facilities, playgrounds and outdoor learning areas. This will help inform the Trust of the levels of reserves needed for the future.

Historic requests to spend money

For outstanding requests to spend reserves made before reserve pooling was confirmed there will be the same procedure as for other requests, but Trustees will look on these requests more favourably where there is an established need that predates reserve pooling. An additional space on the form in appendix 2 can be used to explain the historic nature of the request.

Use of Reserves Request Form

Name of School	
Name of Person Completing Form	
Position of Person Completing Form	
Date of Request	
Amount requested	

Type of Request	Please tick
Emergency school improvement (e.g. resources for learning, additional temporary teaching or leadership capacity, urgent staff development and training, IT resources for teaching and learning)	
Capital works (e.g. buildings, IT expenditure (not pupils), H&S or safeguarding issues)	
Expansion or reduction in size of the school	
Grant funding which needs a contribution from trust reserves (including CIF bids)	
Significant HR/legal costs, e.g. a settlement payment	

Details of Proposal	
What is the money to be spent on?	
Breakdown of costs	
What is the timescale for spending the money? Could the spend be spread over time?	
Where does the request fit in with the school five year investment plan?	

The rationale for spending the money?
Please refer to all of the relevant criteria for your type of request on table 1 of the reserves policy. Please explain the benefits of spending the money and what alternatives or mitigation have been considered and why the spend needs to happen now.

Additional information for historic requests – leave blank if not applicable	
Please include below a chronology of when the need was first identified, when the LGB approved the project, when the money was intended to be spent and any other relevant information.	

Submit completed form to j.bunting@odysseyct.org.uk

