



Reserves Policy

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Version	Changes identified
1.0	First version
1.1	Updated version to incorporate North Yorkshire Pension Fund
1.2	

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Statement of intent

The Apex Collaborative Trust has developed this policy to aid the framework for future strategic planning and decision-making.

Legal framework

This policy has due regard to all relevant legislation and statutory guidance including, but not limited to, the following:

- The [Academy Trust Handbook](#)
- The DfE's guidance on [Academy Trust Reserves](#)
- Charity Commission guidance: '[Charity reserves: building resilience](#)'

This policy operates in conjunction with the following school policies and documents:

- Articles of Association
- Funding Agreement
- Scheme of Delegation
- Financial Regulations

Roles and responsibilities

The **Board of Trustees** is responsible for:

- Ensuring the trust's reserves are maintained and used only as described in this policy.
- Identifying when reserves need to be drawn on, so that they understand the reasons for this and can identify any corrective actions that need to be taken.
- Identifying any broader, long-term financial problems that mean the reserves are frequently used or are below the minimum level.
- Maintaining the trust as a going concern.

The **Finance and Resources Committee** is responsible for:

- Making financial recommendations to the Board of Trustees.
- Adhering to and implementing this policy.

The **Chief Financial Officer (CFO)** is responsible for:

- Regularly monitoring the trust's reserves and reporting to the Board of Trustees or the Finance and Resources Committee accordingly.
- Reporting the explanations for any shortfall or excess in reserves.
- Comparing the amount of reserves held with the minimum and maximum limits set out in this policy.
- Reporting any actions being taken or planned to bring reserves in line with the minimum and maximum limits.

The purpose of reserves

Reserves will have a specific purpose relating to future spending or covering current and future risks. The purposes for holding reserves will be transparent.

Reserves will be held to ensure that unexpected events do not cause financial problems such as cash flow issues.

The purposes for holding reserves includes:

- Covering unforeseen emergencies or unexpected expenditure, e.g. a large repair bill.
- Covering unforeseen day-to-day operational costs, e.g. employing temporary staff to cover long-term absence.
- Covering a failure in a source of income, e.g. a grant not being renewed.
- Preparing for planned commitments that cannot be met by future income alone, e.g. plans for a major asset purchase.
- Needing to fund short-term deficits in budget, e.g. funds that may need to be spent before a grant is received.

Types of reserves

For the purposes of this policy, reserves are defined as freely available unrestricted funds, excluding restricted funds, tangible fixed assets, funds not readily realisable and the accounting LGPS pension reserve, in line with Charity Commission guidance (CC19).

Unrestricted reserves

Unrestricted reserves, which include income funds, grants and donations, will be spent at the discretion of the board of trustees in furtherance of the trust's objectives.

Restricted reserves

Restricted reserves, which may include restricted income funds, grants or donations, will be spent or invested in furtherance of the trust's objectives or assets, or spent where the donor has expressed the nature of expenditure.

Restricted reserves may be endowment funds, where the funds or assets are required to be invested or retained for actual use, rather than spent.

Designated reserves

A sum of unrestricted or restricted reserves may be separated and designated a particular purpose, therefore becoming a 'designated reserve', e.g. to purchase a new asset.

Designated reserves are labelled this way for administrative purposes only and can still be spent at the discretion of the Board of Trustees.

Where a designated reserve has been created, the Board of Trustees will provide a purpose and a timeframe for spending it.

Pension reserves

The risks surrounding pension liabilities will be taken into account when calculating the minimum and maximum levels of reserves set out in this policy.

The Board of Trustees will assess the required pension contributions from projected future income without significantly impacting its planned level of activity.

The trust aims to calculate its reserves without the need to set aside a designated reserve to cover pension liability.

The LGPS pension reserve represents an accounting liability rather than a cash obligation and does not impact short-term liquidity. Employer contribution rates are, however, fully reflected within budget setting, medium-term financial planning and affordability assessments.

Managing reserves

The Board of Trustees will identify why the trust should hold reserves and, having identified its needs, will decide how much should be held to meet them.

The trust will undertake an annual financial risk assessment (appendix one) to consider short, medium and long-term financial risks to determine the target level of reserves. The financial risks to the trust will be balanced alongside our vision to maintain the highest levels of educational outcomes.

The trust will aim to hold a minimum reserve of 6% and a maximum of 12% of revenue income calculated as per below:

$$\frac{\textit{Unrestricted Reserves} + \textit{GAG Reserves} - \textit{Designated Reserves}}{\textit{Revenue Income}}$$

Reserves will be reviewed and monitored by the Board of Trustees on an annual basis to identify any trends in spending and to rectify issues where they arise.

Reserves in excess of the maximum limit will be reviewed by the Board of Trustees, who may release funds into the revenue budget in furtherance of the trust's objectives or re-invest the funds to generate extra income for the trust's activities.

The movement of funds to and from the reserve budget will be at the discretion of the Board of Trustees, or the Finance and Resources Committee where delegated authority has been provided.

Reporting

The Board of Trustees will have due regard for the [Academies Accounts Direction](#) guidance..

Planned movements in reserves will be reflected consistently across the trust's annual budget, medium-term financial plan and Budget Forecast Return submissions to the DfE.

The Board of Trustees will disclose in its annual report its policy for building and maintaining reserves and investments, and the following information:

- Why reserves are held
- The amount or range of reserves that are held at the end of the year
- How the trust aims to achieve its desired amount of reserves

- How the trust plans to raise the amount of reserves held, where they are below the minimum level
- How the trust plans to better utilise the amount of reserves in the future, where they are in excess of the maximum level
- Details of the circumstances giving rise to any deficit and the steps being taken to eliminate it

Pooling reserves

As one organisation, the trust pools its reserves and all funds are retained centrally. All funds will be applied to education and the support of education for trust students in line with the trust's charitable objectives.

Pooling reserves creates a number of benefits for the trust including, but not limited to, the following:

- Culturally this is a move from 'my school' to 'all pupils in the trust'
- It creates flexibility and enables resources to be directed to the areas in most need across the trust to ensure all pupils within our trust are provided with the best resources possible
- It supports the recovery plans for schools in financial difficulty, strengthening the trust's overall financial sustainability in the medium term
- It removes the need for every school to maintain a minimum threshold of reserves as a safety net, freeing up funds to use in the interests of pupils across the organisation.

The Board of Trustees will use pooled reserves from individual schools within the trust in the following circumstances:

- To direct funds to specific schools which are required to raise educational standards.
- To direct funds to schools which require investment in facilities.
- To direct funds to facilitate the policies of the trust which are being implemented to support the trust's vision.

Each individual school is expected to set and maintain a balanced budget that does not exceed its annual income. Funds from trust reserves may be allocated according to the reasons above, but will not be used to sustain staffing structures that cannot be funded from the an school's own income.

The trust must have due regard to the needs of each individual school and there is an appeals mechanism in place. If an individual school's headteacher believes their school has been unfairly treated in relation to use of pooled reserves, they should first appeal to the trust. If the school's headteacher's grievance is not resolved, they may then appeal to the Secretary of State for Education, whose decision will be final and who may dis-apply the provisions for pooling in relation to the trust.

Pooling reserves carried forward allows the trust to respond more effectively to its priorities. It is acknowledged that as a consequence of following this policy the offer to new schools needs to be clear and strong.

To this end, the trust will honour projects earmarked for use of reserves at the point of conversion, on the proviso that (where this level of reserves exists) funds representing the equivalent of 6% of the existing reserves for the school are committed to the overall reserves of the Apex Collaborative Trust.

Monitoring and review

This policy will be reviewed annually as part of the trust's budget setting and financial planning process and formally re-approved by the Board of Trustees at least biennially, or sooner where material change requires.

Appendix One: Annual Financial Risk Assessment

Prepared in accordance with the Managing Reserves section of this policy. Likelihood (L) and Impact (I) scored 1–5; gross score = L × I. RAG: **Red** 15–25 **Amber** 8–14 **Green** 1–7

Horizon	Risk	L	I	Gross RAG	Key Controls	Residual RAG	Owner
Short-term (0–12 m)	Cashflow gap due to capital grant instalment delay, particularly over summer months.	3	3	Amber	Rolling cashflow forecast; Close monitoring of project spend.	Green	CFO
Short-term (0–12 m)	National pay settlement exceeds budgeted uplift.	4	3	Amber	Pay modelled at reasonable level with sensitivity analysis for higher awards.	Amber	CFO
Short-term (0–12 m)	Energy price spike or contract expiry creates cost pressure.	3	3	Amber	DfE v30 contract is designed to avoid volatility. Monthly consumption monitoring; Energy efficiency	Green	CFO
Medium-term (1–3 yr)	Sustained pupil roll decline across schools reduces GAG baseline.	3	5	Red	Annual demographic analysis.	Amber	CEO / CFO
Medium-term (1–3 yr)	Multi-year pay awards above inflation erode budget surplus.	4	4	Red	Three-year pay modelling in financial plan.	Amber	CFO
Long-term (3+ yr)	Demographic decline permanently reduces GAG base and an estate review required.	3	5	Red	Demographic projections reviewed annually; Updated estate strategy; Diversification of income streams, e.g. nursery provision.	Amber	Board / CEO
Long-term (3+ yr)	Capital investment projects exceed budget or create unplanned revenue costs.	3	4	Amber	Board approval for all capital projects; Designated reserve pre-project.	Green	CFO
Long-term (3+ yr)	Government funding policy change (spending review, grant removal) cuts income baseline due to other priorities, e.g. defence	2	5	Red	Reserves held at upper policy range	Amber	Board / CFO
Long-term (3+ yr)	Net zero regulations require unplanned decarbonisation capital expenditure.	3	3	Amber	Sustainability strategy in development.	Green	CFO / Premises

Conclusions and Reserve Level Determination

Reserve level confirmed: 6% minimum / 12% maximum of revenue income

Short-term risks (cashflow, pay, energy) are manageable within the 6% floor. Medium and long-term Red risks — pupil number decline, pay growth, and funding policy change — justify holding reserves towards the upper end of the range (10–12%) where the trust's financial position allows. Approved strategic capital project will require a designated reserve to be established in advance, ring-fenced from the free reserve calculation.