



## ACT Multi-Academy Trust Central Reserves Policy

<b>Author</b>	<b>Alison Anderson (Approved At Trust Level)</b>
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# ACT Multi-Academy Trust Central Reserves Policy

## 1. Purpose

The purpose of this Central Reserves Policy is to establish a clear, transparent, and compliant framework for the management of financial reserves across ACT Multi-Academy Trust (MAT). The policy ensures that the Trust maintains a prudent level of financial reserves to:

- **Safeguard the Trust's financial stability** in the face of unforeseen events or funding volatility.
- **Support schools in financial difficulty** or those undergoing rapid improvement or structural change.
- **Enable strategic investment** in initiatives that enhance educational outcomes, operational efficiency, and long-term sustainability.

### 1.1 Strategic Context

As a public body and an exempt charity, the Trust has a duty to manage public funds responsibly and in accordance with the principles of **regularity, propriety, and value for money**. The Trust operates in a dynamic educational and funding environment, where financial resilience is essential to:

- Respond to changes in government policy, pupil demographics, or funding formulas.
- Invest in innovation and improvement to raise standards across all academies.
- Maintain high-quality provision and safeguard the welfare of pupils and staff.

This policy supports the Trust's overarching mission to deliver **excellent education for every child**, regardless of background or starting point. The Trust's reserves strategy is directly informed by its termly-reviewed Risk Register, which quantifies financial exposure across operational, safeguarding, IT, and governance domains. This ensures that reserves are not only compliant but also proportionate to the Trust's actual risk profile.

### 1.2 Legal and Regulatory Alignment

This policy is aligned with the following statutory and regulatory frameworks:

- **Academy Trust Handbook (ATH)** – which requires Trusts to maintain appropriate reserves and demonstrate financial sustainability.
- **Charities Act 2011** – which mandates that reserves be held and used in line with the Trust's charitable objectives.
- **Companies Act 2006** – which governs the financial responsibilities of companies limited by guarantee.
- **Charity Commission Guidance (CC19)** – which provides best practice on reserves planning and reporting.
- **Department for Education (DfE) Guidance on Reserves** – which encourages clarity, transparency, and strategic use of reserves.

### 1.3 Objectives of the Policy

The specific objectives of this policy are to:

- Define the types and purposes of reserves held centrally by the Trust.



- Set target levels for each reserve to ensure adequacy and proportionality.
- Establish governance procedures for the allocation and use of reserves.
- Ensure reserves are used in a way that supports the Trust’s strategic priorities and educational mission.
- Promote transparency and accountability in financial decision-making.

#### 1.4 Scope

This policy applies to all central reserves held by the Trust and is relevant to:

- The Trust Board and its Finance Committee.
- The Chief Financial Officer (CFO) and Executive Leadership Team (ELT).
- Headteachers and School Business Managers.
- External auditors and regulators.

It does not cover individual school-level reserves, which are governed by the Trust’s **Scheme of Delegation and Financial Regulations Manual**.

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## 2. Legal and Regulatory Framework

This policy complies with the following:

- **Academy Trust Handbook (ATH)** – issued by the ESFA, requiring Trusts to maintain appropriate reserves and demonstrate financial sustainability.
- **Charities Act 2011** – requiring prudent financial management and transparency in the use of charitable funds.
- **Companies Act 2006** – applicable to Trusts as companies limited by guarantee.
- **Charity Commission Guidance (CC19)** – on reserves and financial planning.
- **DfE Guidance on Academy Trust Reserves** – encouraging clarity on reserve levels and intended use.

The Trust must ensure that reserves are:

- **Proportionate** to the size and risk profile of the Trust.
  - **Transparent** in reporting and decision-making.
  - **Strategically aligned** with educational outcomes.
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## 3. Reserve Categories

The Trust maintains three distinct categories of central reserves, each with a specific purpose, governance structure, and target funding level. These reserves are designed to ensure financial resilience, support operational and educational continuity, and enable strategic development across the Trust.

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### 3.1 Minimum Operating Reserve

#### **Purpose:**

To ensure the Trust can maintain uninterrupted operations in the event of short-term financial disruption, this reserve is designed to cover one full month of core operating costs. It provides a financial buffer that enables the Trust to meet essential obligations—such as payroll, utilities, and contracted services—during periods of delayed income or unexpected financial strain. This reserve underpins the Trust’s commitment to educational continuity and staff and pupil welfare.

**Target Level: £458,000** – equivalent to one month’s core operating expenditure, including:

- Staff salaries (teaching, support, administrative, and site teams)
- Essential utilities (electricity, heating, water)
- Contracted services (cleaning, catering, IT support)
- Insurance and statutory compliance costs

#### **Examples of Use:**

- A delay in General Annual Grant (GAG) funding from the ESFA requiring immediate payroll coverage
- Emergency closure of a school site due to a localised incident, necessitating temporary relocation or service continuity
- A short-term cash flow gap caused by clawbacks or delayed reimbursements
- A spike in utility or insurance costs due to market volatility
- Temporary cover for essential staff absences where insurance or reserves are the only viable funding source

#### **Governance:**

- **Ownership:** Managed by the Chief Financial Officer (CFO)
  - **Access Protocol:**
    - A formal request must be submitted by the CFO or Executive Leadership Team, including:
      - ✓ A clear justification for the drawdown
      - ✓ A financial impact assessment
      - ✓ A timeline for replenishment (if applicable)
    - The request must be reviewed by the Finance Committee
    - Final approval is required from the Trust Board
  - **Monitoring:** Reserve levels are reviewed monthly by the CFO and reported quarterly to the Finance Committee. Any use of the reserve is documented and evaluated for impact and value for money.
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### 3.2 Risk Buffer Reserve

#### **Purpose:**

To provide financial resilience against high-impact, low-probability events that could significantly disrupt the Trust's operations or require urgent capital or compliance responses. This reserve ensures the Trust can act swiftly and decisively in the face of emergencies that fall outside routine operational contingencies, protecting educational continuity, legal compliance, and stakeholder confidence.

**Target Level: £300,000** – based on aggregated financial exposure estimates from the Trust's Risk Register, including:

- Emergency capital repairs (e.g., roof failure, drainage collapse)
- Cybersecurity breaches requiring forensic investigation and system restoration
- Major safeguarding incidents requiring legal, HR, and external review support
- Fire safety system failures or compliance enforcement actions

#### **Examples of Use:**

- Urgent roof replacement following storm damage or structural failure
- Cyberattack requiring immediate IT lockdown, investigation, and recovery
- Safeguarding incident necessitating external legal and HR intervention
- Fire safety audit failure requiring immediate system upgrades
- Drainage failure causing flooding and temporary school closure

#### **Governance:**

- **Ownership:** Managed by the Chief Financial Officer (CFO) in consultation with the Executive Leadership Team (ELT)
  - **Access Protocol:**
    - A formal risk assessment must accompany any request to access this reserve, including:
      - ✓ Description of the triggering event or risk
      - ✓ Estimated financial impact and urgency
      - ✓ Mitigation plan and timeline
      - ✓ Replenishment strategy (if applicable)
    - The request is reviewed by the FAR (Audit & Risk) Committee to ensure alignment with the Trust's risk register and reserves strategy
    - Final approval is granted by the Trust Board
  - **Monitoring:** The CFO will report on the status and usage of the Risk Buffer Reserve as part of quarterly financial and risk reporting. Any drawdown will be evaluated for effectiveness and lessons learned.
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### 3.3 Pupil Volatility Contingency

#### **Purpose:**

To provide financial flexibility in response to fluctuations in pupil numbers, which directly affect General Annual Grant (GAG) funding. This reserve ensures that the Trust can respond proactively to demographic shifts, local competition, or unforeseen enrolment changes without compromising staffing, curriculum delivery, or school viability. It supports schools experiencing sudden reductions or surges in pupil numbers and helps maintain educational stability during periods of transition.

**Target Level: £100,000** – based on historical pupil movement trends and projected demographic volatility across the Trust’s schools.

#### **Examples of Use:**

- Targeted marketing and outreach campaigns to boost admissions in schools with declining rolls
- Temporary staffing adjustments (e.g., agency cover, flexible contracts) to accommodate short-term changes in class sizes
- Bridging support for schools impacted by local housing developments, school closures, or catchment changes
- Funding for community engagement events to improve parental confidence and retention
- Support for schools with sudden increases in pupils requiring additional SEND or EAL provision

#### **Governance:**

- **Ownership:** Managed by the Chief Financial Officer (CFO) in collaboration with the Executive Leadership Team (ELT)
- **Access Protocol:**
  - Requests must be supported by:
    - ✓ Pupil census data or local authority forecasts
    - ✓ A financial impact analysis
    - ✓ A plan for stabilisation or recovery
  - Reviewed by the ELT and FAR Committee
  - Final approval by the Trust Board
- **Monitoring:** This reserve is reviewed termly in line with pupil census data and local authority demographic forecasts. Adjustments to the reserve level may be recommended based on enrolment trends, funding formula changes, or school-specific volatility.

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### 3.3 Strategic Investment Reserve

#### **Purpose:**

To support the Trust’s long-term development by funding strategic initiatives that drive educational improvement, innovation, and organisational transformation. This reserve enables the Trust to invest in



projects that align with its strategic plan and deliver measurable impact in areas such as curriculum, leadership, infrastructure, and inclusion.

**Target Level: £150,000** – determined based on surplus availability and strategic priorities identified in the Trust's 3–5 year development plan.

#### **Examples of Use:**

- Development and implementation of a Trust-wide digital learning strategy (e.g., devices, platforms, infrastructure)
- Establishment of a Leadership Development Academy offering NPQs, coaching, and succession planning
- Curriculum innovation projects, such as STEM labs, cross-Trust curriculum frameworks, or assessment models
- Match funding for capital grants or collaborative initiatives with external partners
- Investment in sustainability and inclusion projects (e.g., solar panels, SEND hubs, outreach teams)

#### **Impact Focus:**

- All projects must demonstrate clear, measurable outcomes in at least one of the following areas:
  - Pupil attainment and progress
  - Staff development and retention
  - Operational efficiency and sustainability
  - Inclusion and equity of access
- Proposals must include a business case, cost-benefit analysis, and impact evaluation plan

#### **Governance:**

- **Ownership:** Strategic priorities are identified through the Trust's annual planning cycle and led by the Executive Leadership Team (ELT)
- **Access Protocol:**
  - Proposals must be submitted with:
    - ✓ A detailed business case
    - ✓ Financial breakdown and funding source
    - ✓ Risk assessment and mitigation plan
    - ✓ Expected outcomes and evaluation metrics
  - Reviewed by the ELT and Finance Committee
  - Final approval by the Trust Board
- **Monitoring:** All funded projects are monitored for delivery, impact, and value for money. Outcomes are reported to the Board and included in the Trust's annual strategic review.



## 4. Financial Controls, Monitoring, and Reporting

Effective financial control and transparent reporting are essential to ensure that reserves are managed responsibly, used appropriately, and aligned with the Trust's strategic and educational objectives. This section outlines the procedures for monitoring reserve levels, authorising their use, and reporting to internal and external stakeholders.

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### 4.1 Financial Controls

The Trust will maintain strong internal controls over the management and use of reserves, including:

- **Segregation of Duties:** All reserve-related transactions must be authorised by individuals independent of those initiating the request.
  - **Business Case Requirement:** Any request to access reserves must be supported by a detailed business case, including:
    - Purpose and justification.
    - Cost breakdown and funding source.
    - Risk assessment and mitigation.
    - Expected outcomes and impact measures.
  - **Value for Money (VfM):** All reserve-funded projects must demonstrate VfM, in line with the Trust's procurement policy and the ESFA's expectations.
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### 4.2 Monitoring and Oversight

The Trust will monitor reserve levels and usage through a structured reporting framework:

- **Monthly Monitoring:** The CFO will review reserve balances and commitments as part of monthly management accounts.
- **Quarterly Reporting:** The Finance Committee will receive a quarterly report detailing:
  - Current reserve balances by category.
  - Movements in and out of reserves.
  - Approved and pending reserve allocations.
  - Forecasted reserve levels against targets.
- **Annual Review:** The Trust Board will conduct an annual review of the reserves policy and reserve levels as part of the budget-setting and strategic planning process.

Reserve levels will be cross-referenced with the Risk Register each term. The FAR (Audit & Risk) Committee will oversee this alignment and recommend adjustments based on updated risk exposure.

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### 4.3 External Reporting and Transparency

To ensure accountability to stakeholders and compliance with regulatory requirements:

- **Annual Accounts Disclosure:** Reserve levels and movements will be disclosed in the Trust's audited financial statements, in accordance with the Charities SORP and ESFA guidance.
  - **Narrative Explanation:** The Trust will include a clear explanation of its reserves policy, rationale for holding reserves, and plans for their use in the Trustees' Annual Report.
  - **Stakeholder Communication:** Where appropriate, the Trust will communicate the strategic use of reserves to staff, parents, and the wider community to build trust and demonstrate impact.
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### 4.4 Deviation from Target Levels

If reserve levels fall below or exceed the target thresholds:

- **Below Target:** The CFO must present a recovery plan to the Finance Committee, outlining how reserves will be rebuilt over a defined period.
  - **Above Target:** The Trust Board must review the surplus and determine whether it should be:
    - Reinvested in strategic priorities.
    - Allocated to support schools in need.
    - Retained due to identified future risks or commitments.
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## 5. Risk Management and Policy Review

The effective management of reserves is a key component of the Trust's wider risk management strategy. This section outlines how reserves are used to mitigate financial and operational risks, and how the reserves policy is reviewed to remain fit for purpose in a changing educational and economic landscape.

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### 5.1 Integration with Risk Management Framework

The Trust maintains a comprehensive risk register that is reviewed regularly by the Executive Leadership Team (ELT) and the Trust Board. The reserves policy is directly linked to this framework by:

- **Identifying financial risks** that could impact the Trust's ability to deliver its core educational mission (e.g. funding volatility, inflation, capital failure).
- **Quantifying the financial impact** of those risks and ensuring that reserves are sufficient to mitigate them.
- **Prioritising reserve allocations** based on the likelihood and severity of identified risks.
- **Ensuring business continuity** in the event of emergencies or significant operational disruption.

**Examples of risks mitigated by reserves:**

- A sudden drop in pupil numbers leading to reduced GAG funding.



- A critical safeguarding incident requiring immediate legal and HR support.
  - A school joining the Trust with a significant inherited deficit.
  - A cyberattack requiring urgent investment in IT recovery and security.
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### *5.2 Scenario Planning and Stress Testing*

To ensure reserves are adequate and proportionate, the CFO will conduct annual scenario planning and financial stress testing. This includes:

- Modelling the impact of adverse funding scenarios (e.g. 5% GAG reduction).
- Estimating the cost of emergency capital repairs across the estate.
- Assessing the financial implications of supporting multiple schools in difficulty simultaneously.
- Evaluating the Trust's capacity to invest in strategic priorities while maintaining minimum reserve thresholds.

Findings from this analysis will inform the Trust's annual budget planning and reserve target setting. Annual stress testing will include simulations of combined risk events (e.g., simultaneous IT failure and safeguarding incident) to validate reserve adequacy.

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### *5.4 Risk-Linked Reserve Planning*

#### **Overview:**

The Trust's reserves strategy is underpinned by a dynamic, costed risk register that quantifies the financial exposure associated with key operational, financial, and compliance risks. This approach ensures that reserve levels are not arbitrarily set but are directly aligned with the Trust's actual risk profile, enabling proactive financial planning and robust contingency preparedness.

#### **Purpose:**

To ensure that the Trust maintains sufficient reserves to respond effectively to real-world risk scenarios, including those that could disrupt educational delivery, compromise compliance, or threaten financial sustainability. This section outlines how risk data informs reserve thresholds and supports strategic decision-making.

#### **Key Principles:**

- **Evidence-Based Planning:** Reserve levels are informed by financial exposure estimates derived from the Trust's termly-reviewed Risk Register.
- **Scenario Alignment:** Each reserve category corresponds to specific risk types and scenarios, ensuring targeted financial readiness.
- **Proportionality:** Reserve thresholds are scaled to reflect the likelihood and impact of identified risks, ensuring neither under- nor over-reserving.

## Examples of Costed Risk Scenarios: Examples of Costed Risk Scenarios

Risk Category	Scenario Description	Estimated Financial Exposure	Notes / Reserve Link
<b>Financial</b>	Falling pupil numbers leading to a reduction in GAG income	£458,000	Equivalent to one month's core operating costs (primarily staffing). <b>Covered by the Minimum Operating Reserve.</b>
<b>Operational</b>	Major infrastructure failure (e.g., roof collapse, drainage failure) in an aging school building	£120,000– £250,000	Emergency capital works. <b>Covered by the Risk Buffer Reserve.</b>
<b>IT &amp; Data</b>	Cybersecurity breach requiring forensic investigation, legal support, and system restoration	£80,000– £115,000	Includes data recovery, legal fees, and IT upgrades. <b>Covered by the Risk Buffer Reserve.</b>
<b>Safeguarding</b>	Serious safeguarding incident requiring external review, legal intervention, and staff support	£50,000– £60,000	Legal and HR costs, temporary staffing. <b>Covered by the Risk Buffer Reserve.</b>
<b>Compliance</b>	Fire safety system failure requiring urgent upgrades to alarms, extinguishers, and emergency lighting	£35,000– £57,000	Health and safety compliance. <b>Covered by the Risk Buffer Reserve.</b>
<b>Pupil Demographics</b>	Sudden drop in enrolment at a small school due to local demographic shifts	£50,000– £120,000	Marketing, staffing adjustments, and community engagement. <b>Covered by the Pupil Volatility Contingency.</b>
<b>Strategic Development</b>	Trust-wide digital learning platform rollout and curriculum innovation	£100,000– £150,000	Long-term investment in teaching and learning. <b>Covered by the Strategic Investment Reserve.</b>

### Integration with Reserve Categories:

- The **Minimum Operating Reserve** is calibrated to cover one month's core costs, based on the highest-risk funding delay scenario.
- The **Risk Buffer Reserve** is sized to absorb the cumulative impact of multiple high-impact risks occurring simultaneously.
- The **Pupil Volatility Contingency** is informed by demographic trend analysis and local authority forecasts.
- The **Strategic Investment Reserve** is aligned with long-term risk mitigation strategies, such as digital transformation and leadership development.

### **Governance and Review:**

- The Risk Register is reviewed termly by the Audit & Risk Committee and updated annually in line with the Trust's strategic plan and budget cycle.
- Reserve thresholds are re-evaluated annually based on updated risk exposure data, scenario testing, and financial forecasts.
- Any significant changes in the Trust's risk profile (e.g., new school joining, regulatory changes, or capital project delays) will trigger an interim review of reserve levels.

### **Transparency and Accountability:**

- The rationale for reserve levels and their alignment with risk exposure is documented in the Trust's annual financial statements and Trustees' Report.
  - Dashboards and visual summaries are used to communicate reserve utilisation and risk coverage to stakeholders, including the Trust Board and external auditors.
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### *5.4 Policy Review and Continuous Improvement*

This policy will be reviewed annually by the Trust Board, or sooner if triggered by:

- Significant changes in government funding policy or ESFA guidance.
- Material changes in the Trust's risk profile (e.g. rapid expansion, merger, or rebrokerage).
- Recommendations from internal or external audit.
- Lessons learned from the use of reserves in response to real-world events.

The review process will include:

- Evaluation of reserve levels against targets and actual usage.
- Assessment of the impact and effectiveness of reserve-funded initiatives.
- Consultation with key stakeholders, including school leaders and the Finance Committee.
- Updates to ensure alignment with the latest statutory and regulatory requirements.

Any changes to the policy will be approved by the Trust Board and communicated to all relevant stakeholders.