Cumbria Education Trust

RESPECT | RESPONSIBILITY | RESILIENCE

Reserves Policy

DOCUMENT CONTROL

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Related Policies/Procedures	Academies Trust Handbook Treasury and Investment Policy Risk Management Policy The Charity Commission's guidance on investments, Charity, and investment matters: a guide for Trustees	
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Approved/Ratified by	Trust Board	**Date**: 13 October 2025

Please note that a record of the changes made to the original issue of this document can be found at Schedule 1 after any Appendices to the Policy/Procedure.

1. PURPOSE AND SCOPE

1.1 The Reserves Policy explains why Cumbria Education Trust (the Trust) is holding a particular amount of reserves and the governance arrangements which apply. The policy provides confidence to stakeholders that the Trust's finances and its funds held are being properly managed.

1.2 Reserves are fundamental to the financial sustainability of the Trust. Adequate reserves are key to the Trust's financial planning arrangements in order to demonstrate financial resilience and the wider considerations around going concern.

1.3 The Reserves Policy has regard to powers under the Articles of Association which allows the Trust to manage monies in furtherance of its charitable aims, and the duties and expectations outlined in the Academy Trust Handbook requirements as outlined by the ESFA.

2. WHAT'S INCLUDED AS RESERVES

2.1 Reserves are part of the unrestricted funds which are freely available to spend on any of the Trust's purposes. The value of reserves held is defined by the amount of unrestricted funds held, however, some or all of the unrestricted funds of the Trust may not be readily available for spending. This is because spending those funds may adversely impact on the Trust's ability to deliver its aims.

2.2 The items that should be excluded from reserves are:

- tangible fixed assets used to carry out Trust activities, such as land and buildings
- programme-related investments which are held solely to further the Trust's purposes
- designated funds set aside to meet essential future spending, such as funding a project that could not be met from future income
- commitments that have not been provided for as a liability in the accounts

2.3 Restricted funds fall outside the definition of reserves, but the nature and amount of such funds may impact on a Trust's reserves policy. Where significant amounts are held as restricted funds the nature of the restriction should be considered, as such funds may reduce the need for reserves in particular areas of Trust activity.

3. LEVEL OF RESERVES

3.1 The Trust's target level of reserves can be expressed as a target figure or a target range and should be informed by:

- its forecasts for levels of income for the current and future years, considering the reliability of each source of income and the prospects for developing new income sources
- its forecasts for expenditure for the current and future years based on planned activity
- its analysis of any future needs, opportunities, commitments, or risks, where future income alone is likely to fall short of the amount of the anticipated costs

- its assessment, on the best evidence reasonably available, of the likelihood of a shortfall arising which means that reserves are necessary, and the potential consequences for the Trust of not being able to make up the shortfall.

The Trust aims to hold a ***minimum*** of one month's payroll costs, which, based on the 25/26 budget, equates to £3.623m.

The Trust's ***optimum*** reserves is one month's operating costs, which, based on the 25/26 budget, equates to £4.487m.

5% of budgeted income is £2.638m – DFE measure

3.2 The current level of general reserves (£3.3m at 31 August 2025) falls slightly short of the minimum amount although it achieved the target of 5% of budgeted income. In mitigation of this, the Trust will continue to build on general reserves over future years, when affordable, through planned contributions and other measured steps as part of its longer-term financial planning arrangements.

4. REPORTING RESERVES

4.1 The annual report will provide a narrative of wider Trust activities, in particular, the amount of reserves stated must take account of the net assets of all the academies.

4.2 As part of its management of Trust funds, the trustees must explain, within the annual report, its reserves policy statement for holding reserves. The Trust must also report on its reserves in accordance with the information held in the Accounts Direction.

4.3 The Trust has set a requirement for each individual academy to aim to generate a 1% surplus (of total income), in order to build reserves of the Trust, to cover unexpected liabilities and to allow reserves to invest in future year's priorities for the students.

4.4 The annual accounts disclose the breakdown of reserves by individual academy, however any surpluses generated are pooled centrally by the Trust.

4.5 Where material funds have been designated, the reserves policy statement should quantify and explain the purposes of these designations and, where set aside for future expenditure, the likely timing of the expenditure.

4.6 Within the annual report and financial statements for each financial year the Trust will include a statement from the Trustees in relation to reserves outlining:

- An explanation as to why the Trust holds reserves;
- An explanation regarding the purpose of any material designated funds and, where funds are set aside for future expenditure, the likely timing of that expenditure; and
- The level of reserves on the balance sheet date.

5. INVESTING RESERVES

5.1 When significant resources are held in reserves from year to year, the trustees should consider whether some or all the reserves can be invested to obtain a financial return for the Trust. In making the investment decision, the trustees should consider when the reserves might be needed (liquidity of the investment) and the acceptable level of investment risk.

5.2 The Treasury and Investment policy should reflect the trustees' assessment of the likelihood that some or all the reserves held may need to be accessed at short notice. Certain investments are more appropriate as long-term holdings and may be unsuitable or too high risk when it is known that a specific amount of cash will be needed in the short-term or at short notice to meet urgent need.

6. GRANT FUNDING AND RESERVES

6.1 It is important that trustees maintain the confidence of all stakeholders by being open and transparent about the Trust's needs for funds. If the Trust has excess reserves, the trustees should ensure that they do not misrepresent the urgency or need for funds.

6.2 When the Trust is applying for a grant or is bidding for a contract, it is important that the funder understands the Trust's reserves policy and that the policy explains and justifies the reserves held.

6.3 The terms of reference for the Organisation Development Committee includes the following to fulfil the statutory requirements of Trustees in relation to the Trust's reserves:

a) establish a measure by which the level of the Trust's available reserves can be judged as either insufficient or excessive for the purpose of its objectives and the risks it faces;
b) review the level of reserves against the above measure on at least an annual basis;
c) review on an annual basis the level of any restricted funds. Consider whether it remains appropriate to regard them as restricted funds; if not, whether the funds can be released for other purposes or returned;
d) review on an annual basis any designated funds and consider whether any transfers to or from the designated funds are appropriate; and
e) review on an annual basis how the various reserves and funds are supported by the assets of the Trust.

7. RESPONSIBILITIES AND ACCOUNTABILITY

7.1 The Chief Executive, as the Accounting Officer, has overall (financial) accountability for the Trust.

7.2 The Head of Finance (Chief Finance Officer) is responsible for the effective execution of the Reserves Policy and for highlighting changes to the Board of Trustees.

7.3 The Organisation Development Committee is responsible for the scrutiny of the investment assets, including any investment decisions. The Committee also provides oversight of cash flow and banking arrangements.

7.4 The Board of Trustees receives the Organisation Development Committee minutes and summary financial reports.

8. POLICY MONITORING AND REVIEW

Organisation Development Committee – annual review.

9. RELATED POLICIES AND PROCEDURES

a) Academies Trust Handbook
b) Treasury and Investment Policy
c) Risk Management Policy
d) The Charity Commission's guidance on investments, Charity, and investment matters: a guide for Trustees

SCHEDULE 1

DOCUMENT CONTROL – RECORD OF CHANGES

Version Number:	Publication Date:	Nature of, and Reason for, Change(s)
001	October 2021	Original.
002	October 2022	Reviewed and updated.
003	November 2023	Reviewed and updated.
004	December 2024	Updated the basis of the reserves measure to reflect a minimum reserves level and optimum reserves based on salary / operating costs. Within section 4, added para regarding adding (up to) 1% planned annual contribution and the Trust's pooling arrangements for reserves held.
005	October 2025	Reviewed and amendments made to Section 3.1 and 3.2.